

**1999 HOUSE APPROPRIATIONS**

**HB 1019**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1019

House Appropriations Committee  
Government Operations Division

Conference Committee

Hearing Date January 13, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-53.0
1		x	0-48.8
2	x		0-53.0
2		x	0-12.6
Committee Clerk Signature <i>Roxanne Kone</i>			

Minutes:

A BILL FOR AN ACT TO PROVIDE AN APPROPRIATION FOR DEFRAYING THE EXPENSES OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE AND TO THE AGRICULTURAL PRODUCTS UTILIZATION COMMISSION FOR GRANTS; TO PROVIDE FOR TRANSFERS OF FUNDS; TO AMEND AND REENACT SECTIONS 4-14.1-07 AND 57-43.1-03.1 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO ETHANOL PLANT PRODUCTION INCENTIVES FOR FUEL USED FOR AGRICULTURAL PURPOSES; AND TO PROVIDE AN EFFECTIVE DATE.

Summary of Hearing:

Kevin Cramer, Director of North Dakota Department of Economic Development & Finance  
(see attached testimony)

(15.9) Rep. Byerly: On your salary line item, have the employees, FTEs, from APUC been integrated into your budget? And the work force development director?

(16.0) Kevin Cramer: Yes, they have.

(33.5) Rep. Poolman: You had mentioned that the grant line item had increased. Do these regional councils and other smaller agencies, local agencies that receive money, do they receive other dollars from other sources? And what are examples of those sources.

(37.9) Kevin Cramer: They certainly do. There budgets don't only include our funding. For example. OIA is an important manager of regional councils. There are many other sources besides this one.

(37.1) Rep. Poolman: Mr. Chairman, my point in asking the question is that I think it is important for this committee and myself to get a handle on all the different sources of government assistance to these local areas. If we are going to increase your line item to go out and provide more assistance, then are all the other line items in these other budgets going to be increased also?

Information on question will be provided.

Ron Rauschenberger, Chairman of North Dakota Development Fund

Organization issues the Rural Revolving Loan Fund along with the North Dakota Development Fund.

(48.8) Rep. Huether: Is there a population breakoff where this fund cannot be used? What size town is that exactly?

(49.0) Ron Rauschenberger: That is correct. Towns that are less than 10,000. That applies to the Rural Revolving Loan Fund.

Dean Reese, Interim Director NDDF (See attached testimony)

Referred to graphs.

(4.2) Rep. Huether Are the funds assigned to each region, can they be moved from one region to another?

(4.3) Dean Reese: Yes, we have the flexibility within a certain percentage to move those funds from region to region where those dollars are needed. But then when those dollars come back they go back to region where they were designated. Currently, we have 4.6 million available.

(6.0) Rep. Gulleason: When you set up these projects and funding, generally speaking, is it a joint effort? Some financial institute and yourself?

(6.3) Dean Reese: Yes, we work with the local financial institutions and the developers.

Rep. John Nelson, District 7

Owner of Ag. Processing company and takes part in program.

Rodney Fezek, Hebron Brick Company

Takes part in program.

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**Government Operations Division**

**Bill/Resolution Number 1019**

**Hearing Date January, 13 1999**

**Roger Weinleder, Represents Drayton Grain Processors**

**Takes part in program.**

**Jim Stye, District Director of Small Business Administration of North Dakota**

**Briefly discusses Native American Affairs and Womens Business Issues.**

**Bill King, Cirrus Design Corporation**

**Takes part in program.**

**Kevin Pifer, APUC**

**Gave example of a business in the program that is succeeding.**

**Russ Hanson, Executive Director of APUC**

**Joy Johnston, Executive Director of Economic Development Association of North Dakota**

**(see attached testimony)**

**EDND proposed \$1.5 million more than is recommended by the executive budget.**

**Lee Peterson, President of Minot Area Development**

**Tom Rolfstad, Development Director in Williston**

**Brad Fay, AgGrow Outs, LLC**

**There was no opposition to the bill.**

**Closed hearing on HB 1019.**

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date January 27, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-13.9
Committee Clerk Signature		<i>Roxanne Kohl</i>	

### Minutes:

Chairman Byerly opened the discussion on House Bill 1019.

**1A: 5.2** Discussion on sources of money to Regional Councils and local developers. Rep. Poolman presented information to committee regarding regions.

**1A: 9.1** Rep. Byerly raised some questions concerning whose role it is concerning economic development in the state and what is the relationship of state to regions and local levels.

**1A: 9.4** OMB commented that is the focus of the ED&F budget, to help enable them to provide capacity building at the local level.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date January 28, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-16.9
Committee Clerk Signature		<i>Roxanne Hone</i>	

### Minutes:

Chairman Byerly opened the discussion on House Bill 1019.

**1A: 1.7** Discussion on problems with Regional Councils and relation to Legislative Branch.

**1A: 12.6 Rep. Poolman** asked what are general allocation grants? OMB replied that the grants are at the discretion of the director. They give flexibility to address areas that the director feels are in need of help.

Chairman Byerly closed the discussion on House Bill 1019

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 1, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-37.8
Committee Clerk Signature <i>Roxanne Hone</i>			

### Minutes:

Chairman Byerly opened the discussion on House Bill 1019.

**1A: 1.5 Rep. Carlisle** discussed reducing ED&F budget by \$650,000. He suggested combining the salary and wage line item with operating and equipment line.

**1A: 4.1 Rep. Poolman** discussed grant line item of budget. He suggested reducing the item by \$440,000.

**1A: 5.5 Rep. Gulleson** asked Rep. Poolman if that meant taking out all state funds for regional councils. Rep. Poolman replied, yes. Discussion continued on Regional Councils concerning problems with state funding and use of dollars.

Discussion continued on ED&F travel expenses.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 2, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-56.0
1		x	0-54.0
2	x		0-2.1
Committee Clerk Signature <i>Roxanne Hohl</i>			

Minutes:

Chairman Byerly opened the discussion on House Bill 1019.

**1A: 1.1 Rep. Poolman** discussed APUC general fund carry over from last two bienniums.

**1A: 2.1 Rep. Gulleon** suggested ED&F administrative authority of designating grants to Bank of North Dakota.

**1A: 10.4 Rep. Carlisle** questioned OMB about travel budget. Rep. Carlisle commented that it was too excessive. OMB replied that making an adjustment won't affect their travel expense line. Making an operating adjustment won't affect travel line expense.

**1A: 15.1 Rep. Gulleon** asked if there has to be a corresponding drop in FTE if salary line item will be reduced. Discussion continued.

**1A: 15.9 Rep. Poolman** discussed removing ED&F from central personnel allowing the director to restructure and reorganize the department more efficiently.



**General Discussion**

**Page 2**

**Government Operations**

**February 2, 1999**

**1B: 4.7 Rep. Carlisle** made a motion to reduce the salary/wages line item by \$650,000 and 3 FTEs. Rep. Tollefson 2nd the motion.

Motion was carried by a Roll Call Vote.

6 voting Yes

0 voting No

0 voting Absent

**1B: 7.1 Rep. Guleson** made a motion to reduce operating line item by \$150,000. Rep. Tollefson 2nd the motion.

Motion was carried by a Roll Call Vote.

5 voting Yes

1 voting No

0 voting Absent

**1B: 12.2 Rep. Tollefson** made a motion to remove \$30,000 from the equipment line item. Rep. Guleson 2nd the motion.

Motion was carried by a Roll Call Vote.

5 voting Yes

1 voting No

0 voting Absent

**1B: 13.1 Rep. Poolman** made a motion for a reduction of the grants line item by \$440,000. Rep. Carlisle 2nd the motion.

Motion was carried by a Roll Call Vote.

5 voting Yes

1 voting No

0 voting Absent

**1B: 15.2 Rep. Poolman** made a motion to remove \$150,000 from general allocation grants. Rep. Tollefson 2nd the motion.

Motion was carried by a Roll Call Vote.

6 voting Yes

0 voting No

0 voting Absent

**1B: 20.8 Rep. Guleson** made a motion to reduce \$200,000 from the North Dakota development fund. Rep. Tollefson 2nd the motion.

Motion was carried by a Roll Call Vote.

5 voting Yes

1 voting No

0 voting Absent

**General Discussion**

**Page 3**

**Government Operations**

**February 2, 1999**

**1B: 30.2 Rep. Carlisle** made a motion to take out \$500,000 from the Ethanol Incentive Program.

Rep. Tollefson 2nd the motion.

The motion failed on a Roll Call Vote.

3 voting Yes

3 voting No

0 voting Absent

**1B: 41.4 Rep. Poolman** made a motion to remove \$100,000 from APUC general funds. Rep.

Carlisle 2nd the motion.

The motion carried on a Roll Call Vote.

6 voting Yes

0 voting No

0 voting Absent

**2A: .2 Rep. Poolman** made a motion on salary package adjustment. Rep. Tollefson 2nd the motion.

The motion carried on a Roll Call Vote.

5 voting Yes

1 voting No.

0 voting Absent

**2A: 1.1 Rep. Carlisle** made a motion to approve House Bill 1019 as amended. Rep. Tollefson 2nd the motion.

The motion carried on a Roll Call Vote.

6 voting Yes

0 voting No

0 voting Absent

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1019

House Appropriations Committee

Conference Committee

Hearing Date 2/9/99

Tape Number	Side A	Side B	Meter #
2	x		0.0-33.0
Committee Clerk Signature <i>Kevin Kam</i>			

Minutes:

Chairman Dalrymple opened the hearing on HB 1019 in the Roughrider Room.

(0.5) Rep. Carlisle introduced the bill to full committee and gave a brief explanation of the bill.

(0.8) Rep. Byerly introduced amendments .0103 to the full committee.

(1.0) Rep. Carlisle introduced some research to the committee. ( see attached )

(3.9) Rep. Poolman further explained the handout

(7.5) Chairman Dalrymple questioned Rep. Poolman as to whether the money produced by the \$2 per gallon has been declining over time.

(8.0) Rep. Poolman answered that the amount was not showing to be declining.

(18.0) Rep. Lloyd introduced amendments to .0105 to the committee and moved for their adoption.

(26.5) Rep. Gulleson introduced amendments .0104 to the committee and moved for them to replace .0103. She then went on to further explain her amendments.

(28.4) Rep. Poolman opposed the amendments .0103.

(30.1) Rep. Byerly noted a bill that was similar, in the Senate.

HB 1019 was amended, with amendments .0103.

HB 1019 was moved as a DO PASS.

## FISCAL NOTE

Turn original and 14 copies)

Bill/Resolution No.: HB 1019

Amendment to: \_\_\_\_\_

Requested by Legislative Council

Date of Request: 12/29/98

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: (Note: This fiscal note addresses only Section 3 of HB 1019. The Department of Transportation would be able to provide fiscal information on Section 4.)

The Tax Department estimates \$750,000 will go to the agricultural fuel tax fund from the portion of motor vehicle fuel tax refunds that is expected to be withheld during the 1999-2001 biennium.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						

3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: \_\_\_\_\_  
 (Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: \_\_\_\_\_  
 (Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: \_\_\_\_\_

4. County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed  
attach a supplemental sheet.

Signed: Kathryn L. Strombeck

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 12, 1999

Phone Number: 328-3402

Date: 2.2.99  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

- Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND LINE

Motion Made By CARLISLE Seconded By TOLLEFSON

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Gulleon	X				
Jim Poolman	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

REDUCE SALARY/WAGES LINE ITEM BY \$650 000  
and 3 FTE'S.

Date: 2-2-99  
Roll Call Vote #: 2

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House APPROPRIATIONS Committee

Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By Gulleson Seconded By Tollefson

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Gulleson	X				
Jim Poolman		X			

Total (Yes) 5 No 1

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
Reduce operating line \$150,000

Date: 2-2-99  
Roll Call Vote #: 3

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By TOLLEFSON CARLISLE Seconded By GULLESON HUETHER

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Guleson	X				
Jim Poolman		X			

Total (Yes) 5 No 1

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
Remove \$ 30,000 from equipment line

Date: 2-2-99  
Roll Call Vote #: 4

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House APPROPRIATIONS Committee

Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By Poolman Seconded By Canisie

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Guleson		X			
Jim Poolman	X				

Total (Yes) 5 No 1  
Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
Line 16 Reduce \$440,000



Date: 2.2.99  
Roll Call Vote #: 5

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By Poolman Seconded By Tollefson

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Guleson	X				
Jim Poolman	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
Remove \$ 150,000 out of general allocation grants

Date: 2.2.99  
Roll Call Vote #: 6

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House APPROPRIATIONS Committee

Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By Gulleeson Seconded By Tollefson

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Gulleeson	X				
Jim Poolman		X			

Total (Yes) 5 No 1

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Reduce \$200,000 - ND development fund

Date: 2-2-99  
Roll Call Vote #: 7

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

- Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By Carlisle Seconded By Tollefson

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether		X			
Pam Gulleeson		X			
Jim Poolman		X			

Total (Yes) 3 No 3

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Lower \$500,000 from Ethynol Incentive

Date: 2-2-99  
Roll Call Vote #: 8

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

- Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By Poolman Seconded By Carlisle

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Guleson	X				
Jim Poolman	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
APUC \$100 000 general funds Removal

Date: 2.2.99  
 Roll Call Vote #: 9

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1019

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

Subcommittee on Government Operations  
 or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken AMEND

Motion Made By POOLMAN Seconded By TOLLEFSON

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Guleson		X			
Jim Poolman	X				

Total (Yes) 5 No 1

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
Salary adjustment

Date: 2-2-99  
Roll Call Vote #: 10

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House \_\_\_\_\_ APPROPRIATIONS \_\_\_\_\_ Committee

Subcommittee on Government Operations  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS AS AMENDED

Motion Made By CARLISLE Seconded By TOLLEFSON

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	X				
Ron Carlisle	X				
Ben Tollefson	X				
Robert Huether	X				
Pam Gulleon	X				
Jim Poolman	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Rep. Carlisle

If the vote is on an amendment, briefly indicate intent:

Date: 2/4/99  
 Roll Call Vote #: 1

**1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1019**

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number 0/03

Action Taken Do Pass

Motion Made By Carlisle Seconded By Byerly

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	X		Nichols	X	
Vice-Chairman Byerly	X		Poolman	X	
Aarsvold	X		Svedjan	X	
Bernstein	X		Timm	X	
Boehm	X		Tollefson	X	
Carlson	X		Wentz	X	
Carlisle	X				
Delzer	X				
Gulleson	X				
Hoffner	X				
Huether	X				
Kerzman	X				
Lloyd	X				
Monson	X				

Total (Yes) 20 No 0

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 2-9-99  
Roll Call Vote #: /

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1019

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number . 0104

Action Taken Do Pass

Motion Made By Gulleson Seconded By Aarsvold

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple			Nichols		
Vice-Chairman Byerly			Poolman		
Aarsvold			Svedjan		
Bernstein			Timm		
Boehm			Tollefson		
Carlson			Wentz		
Carlisle					
Delzer					
Gulleson					
Hoffner					
Huether					
Kerzman					
Lloyd					
Monson					

Total (Yes) \_\_\_\_\_ (No) \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:



Date: 2/9/99  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1029

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number 0105

Action Taken Do Pass

Motion Made By Lloyd Seconded By Wentz

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple			Nichols		
Vice-Chairman Byerly			Poolman		
Aarsvold			Svedjan		
Bernstein			Timm		
Boehm			Tollefson		
Carlson			Wentz		
Carlisle					
Delzer					
Gulleson					
Hoffner					
Huether					
Kerzman					
Lloyd					
Monson					

Total (Yes) 3 No 17

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 2/9/99  
 Roll Cal' Vote #: 1

**1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1019**

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass As Amended

Motion Made By Carlisle Seconded By Byerly

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	X		Nichols		X
Vice-Chairman Byerly	X		Poolman	X	
Aarsvold	X		Svedjan	X	
Bernstein	X		Timm	X	
Boehm	X		Tollefson	X	
Carlson	X		Wentz	X	
Carlisle	X				
Delzer	X				
Gulleson	X				
Hoffner	X				
Huether	X				
Kerzman	X				
Lloyd	X				
Monson	X				

Total (Yes) 19 No 1

Absent 0

Floor Assignment Carlisle

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1019: Appropriations Committee (Rep. Dalrymple, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1019 was placed on the Sixth order on the calendar.

Page 1, line 13, replace "3,041,771" with "2,358,086"

Page 1, line 14, replace "2,158,447" with "2,008,447"

Page 1, line 15, replace "96,358" with "66,358"

Page 1, line 16, replace "1,518,061" with "1,078,061"

Page 1, line 17, replace "750,000" with "600,000"

Page 1, line 18, replace "1,000,000" with "800,000"

Page 1, line 19, replace "4,085,911" with "3,985,911"

Page 1, line 20, replace "12,650,548" with "10,896,863"

Page 1, line 21, replace "3,695,701" with "3,693,075"

Page 1, line 22, replace "8,954,847" with "7,203,788"

Page 3, line 16, replace "\$1,000,000" with "\$800,000"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 601 - DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$3,041,771	(\$683,685)	\$2,358,086
Operating expenses	2,158,447	(150,000)	2,008,447
Equipment	96,358	(30,000)	66,358
Grants	1,518,061	(440,000)	1,078,061
General allocation grants	750,000	(150,000)	600,000
North Dakota development fund	1,000,000	(200,000)	800,000
Agricultural products utilization	<u>4,085,911</u>	<u>(100,000)</u>	<u>3,985,911</u>
Total all funds	\$12,650,548	(\$1,753,685)	\$10,896,863
Less special funds	<u>3,695,701</u>	<u>(2,923)</u>	<u>3,693,075</u>
General fund	\$8,954,847	(\$1,751,059)	\$7,203,788
FTE	29.00	(3.00)	26.00

Detail of House changes to the executive budget include:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	FUNDING REDUCTIONS	TOTAL HOUSE CHANGES
Salaries and wages	(\$41,668)	\$7,983	(\$650,000)	(\$683,685)
Operating expenses			(150,000)	(150,000)
Equipment			(30,000)	(30,000)
Grants			(440,000)	(440,000)
General allocation grants			(150,000)	(150,000)
North Dakota development fund			(200,000)	(200,000)

**REPORT OF STANDING COMMITTEE (410)**  
**February 11, 1999 9:54 a.m.**

**Module No: HR-28-2550**  
**Carrier: Carlisle**  
**Insert LC: 98019.0103 Title: .0200**

Agricultural products utilization	_____	_____	<u>(100,000)</u>	<u>(100,000)</u>
Total all funds	(\$41,668)	\$7,963	(\$1,720,000)	(\$1,753,685)
Less special funds	<u>(3,196)</u>	<u>570</u>	_____	<u>(2,626)</u>
General fund	(\$38,472)	\$7,413	(\$1,720,000)	(\$1,751,059)
FTE	0.00	0.00	(3.00)	(3.00)

**1999 SENATE APPROPRIATIONS**

**HB 1019**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1019

Senate Appropriations Committee

Conference Committee

Hearing Date March 4, 1999

Tape Number	Side A	Side B	Meter #
3	X		1383-4952
1	X		1-1346
4/1/99	X		500-3363
Committee Clerk Signature <i>Kottler C. Kottlerock</i>			

Minutes:

**SENATOR NETHING:** Opened hearing on HB 1019; A BILL FOR AN ACT TO PROVIDE AN APPROPRIATION FOR DEFRAYING THE EXPENSES OF THE DEPARTMENT OF ECONOMIC AND FINANCE AND TO THE AGRICULTURAL PRODUCTS UTILIZATION COMMISSION FOR GRANTS; TO PROVIDE FOR TRANSFERS OF FUNDS; TO AMEND AND REENACT SECTIONS 4-14.1-07 AND 57-43.1-03.1 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO ETHANOL PLANT PRODUCTION INCENTIVES FOR FUEL USED FOR AGRICULTURAL PURPOSES; AND TO PROVIDE AN EFFECTIVE DATE.

**KEVIN CRAMER:** Director, Department of Economic Development and Finance to testify in support of HB1019 (testimony attached (tape 1, side A, meter 1383-2862).

**SENATOR GRINDBERG:** Two questions: first, did the House work with you in the rationalization for these cuts; second, clarify for us what has happened over the past few years with the department and its relationship with local economic development.

**KEVIN CRAMER:** The House did not work with us on the cuts. Two years ago, we started Enhancement to Growing North Dakota. At that point there was high employment which created a vision for the state that led to 36,000 jobs by local developers. With the help of Arthur Anderson Consulting and Fluor Daniel, international business consulting firms, we did a self analysis of the state, strengths and weaknesses, our agency, and partners. They interviewed corporate CEOs and executives of ND companies and multinational companies with ND

divisions. They also interviewed companies who looked at making an investment in North Dakota, but chose not to. We held 9 regional workshops across the state. The majority of the participants were private sector business people, but also included public sector individuals. We challenged participants to challenge us to identify solutions but also who is responsible for carrying out those solutions. That process has been very valuable for us as we reorganize our agency. We make ongoing evaluations of this information and make adjustments. From that we drafted a strategic plan and a marketing plan. This budget request is not just my idea of what should be done in economic development. This was a deeply researched project which included many people. We need North Dakota to be more involved in marketing. We work with who is in the state and then go after others.

**SENATOR KRAUTER:** Give me some definitions between general allocation grants and grants.

**KEVIN CRAMER:** Grants is not the right word. They really are service provider contracts. We contract with a company to deliver economic development services to certain regions - we pay them. General allocation grants are what is called the director's discretionary fund. Those dollars are generally used for deals.

**SENATOR KRAUTER:** Tell me where the 3 FTEs were.

**KEVIN CRAMER:** That is the number that the House gave, I don't know where they are.

**SENATOR KRAUTER:** What is your intent of the Regional Council funding?

**KEVIN CRAMER:** That entire grant line was \$1.5 million which includes a lot of service providers. The \$440,000 just happens to represent the exact number in the last biennium that was contracted to the Regional Planning Council. The House did not determine that that would be the Regional Planning Council's.

**SENATOR KRAUTER:** If this budget ends the way it is, what is your intention for the funding for the Regional Council?

**KEVIN CRAMER:** I would probably prioritize and contract accordingly based on services. I have tried to identify duplication and gaps and get them to provide services to the gap areas. That was been a management challenge.

**SENATOR KRAUTER:** What is the status on the Manufacturing Technology Partnership?

**KEVIN CRAMER:** They just lost their director. Currently it's being housed on a temporary basis at NDSU. The work they do, on paper, is very important especially with our top priority of business retention and expansion. I believe they need a better buy-in.

**SENATOR KRAUTER:** Would you financially commit to this program?

**KEVIN CRAMER:** I don't believe I could with the cut in funds.

**GREG HAGEN:** Executive Director, Souris Basin Planning Council in Minot, ND, one of the 8 regional planning councils in the state. I am here today to support Governor Schafer's original proposed budget for the Department of Economic Development and Finance and to ask for the restoration of the cuts imposed by the House Appropriations Committee, specifically funds for the ND Development Fund, the Marketing Fund, and the Grant Funds Target for the Regional Council. In light of the WEFA report predicting a revenue shortfall for North Dakota, I don't think it is time to overreact and cut the very state funding that can better enhance the revenue outlook. If anything, this funding should be even more important. I am asking the committee to restore \$440,000 to the grants line item to support regional councils in our efforts to promote community in economic development at the local level. This small amount allowed contracts between ED&F and regional councils for \$27,500 per year to deliver the programs of Enhanced Growing North Dakota. Regional councils have been governed by city and county officials over the last 25 years and view ourselves as an integral part of the team when it comes to promoting community and economic development because these contracts have been an important part in supporting regional council staff in these efforts. This team concept, especially in the Minot area, works well. Regional council and local developers work extremely well together. The regional council staff is a tremendous resource to these developers in both the rural and urban communities. This team concept allows developers to concentrate their efforts on recruiting and marketing. The regional council staff support these efforts as a resource for technical assistance, research, feasibility grants, and the many instances financial packaging. The knowledge and expertise of the regional council staff has, regarding state, federal, regional, and local financing options many times fills the gap that ensures the success of these projects. As one example of technical assistance, regional council recently worked very hard for the cities of Bowman, Hettinger, and Rugby on what was called the Dakota Partners and applications. Three members of this committee, Senators Solberg, Bowman, and Krauter were also a very important part of that team. With your permission, Mr. Chairman, I would like, at this time, to invite several people from various parts of the state to talk to this committee briefly regarding the relationship they have had with regional councils to best illustrate the types of successes the ED&F contracts with the regional councils and how it has impacted the state. The first one I had was RaeAnn Kelsch, but she is still in committee. She works with regional council in the Bismarck area (tape 3, side A, meter 5340-6040).

**MIKE KADRMAS:** Summit Aviation, Jamestown, we operate a fixed base operation and take care of all the flying public, we refuel airplanes, put them in hangers, get them rental cars, making it easy for everyone to come in and out of Jamestown. About a year ago, my wife and I started looking into the possibilities of purchasing Jamestown Aviation. The whole deal ended up being about \$1 million. We are fairly young and didn't have the money. In getting together with the regional council, they helped us access some funds. We got a low rate interest loan, they deferred some interest for us, they made the principle payments - we didn't have to start



those for three years - they also took a second position behind the bank. That means the bank now considered that equity and that allowed the deal to happen. Without the regional council's help, it never would have happened. I would encourage you to keep their funds up (tape 3, side A, meter 6040-6150).

**DAVE CHICOS:** For the record, my name is Dave Chiccos, Mayor of Rugby, ND and I am appearing this afternoon on behalf of the regional councils on HB1019. We do not have a full-time developer in our area, the city of Rugby in Pierce County. Everything we do in Rugby is done by volunteers of the Rugby Job Authority and we have looked to the planning councils for guidance and their technical assistance to do a lot of things in our area. If you look at our region, there is only, maybe a handful of larger communities who do have full-time developers so we rely a lot on the regional councils. Some of the things they have helped us with is the connection with is an incoming telemarketing firm into Rugby about 2 years ago, and with the help of the Regional Councils, we have obtained a total of \$118,000 in grants from the Magic Fund. We had a \$127,500 loan from Service Basin Planning revolving loan fund and a \$50,000 grant from the Magic Fund in Minot. We also used the PACE program from the state of North Dakota. With the help of the planning councils, we added 30 jobs to Rugby Manufacturing to the 42 that were already there for a total of 72 jobs. The Dakota Partners and Empowerment Zone spent many hours working on this and without their help this may not have been a reality. Somebody in North Dakota did receive a grant. Our region did not. At this time we still do not have the funds to hire a full-time developer, so we require more and more technical assistance and guidance from the regional councils. For our area it is very important that we have these people (tape 3, side A, meter 6150-end, side B, 0-74).

**SENATOR NETHING:** Did you folks testify in the House?

**DAVE CHICOS:** No

**GARY DECOTEAU:** I am Vice President of Operations for Aveco, the potato processing plant in Jamestown to testify in support of the regional councils and their continued funding. Funding for the regional council is important to continue the economic growth of the State. Aveco USA is located north of I-94 east of Jamestown. To access the plant, you exit on Bloom Exit. The Bloom Rd. is our main access into the factory area. With regional and other funds, we were able to upgrade that road to allow the trucks to access our factory. To give you an example of the economics of doing this: In 1996 when we first started the plant, we purchased 2.6 million hundred weight of potatoes. The second year of operation we purchased 3.8 million hundred weight. This year, we are purchasing 4.6 million hundred weight and we anticipate for 1999, to purchase the same amount. That is about 13,000 acres of potatoes. What this means is that just on that road alone and the roads approaching the plant, we haul in about 8,000 truckloads of potatoes in the course of our processing year. We ship out in finished goods about 6,000 loads of finished goods. That is 14,000 trucks that are using that facility and most are from North Dakota that haul for us. Our supplies are hauled in on trucks and most of those supplies come from the State of North Dakota. Aveco has established vendor relationships throughout the State and it

has been very productive for us. We anticipate continuing to do that if we have funding available for businesses that can come in and support us and for our long-term growth (tape 3, side B, meter 105-300).

**KURT TROOLSON:** For the record, I am from Ross, North Dakota. As Greg said, I was instrumental in the startup of Dakota Growers Pasta Company back in 1992. We have seen some of the economic development things that come happen in our State. Some of the things we accessed, I took home in Northwestern North Dakota. Our population has decreased, our economic development needs a boost. We started a project called West Dakota Feed and Seed primarily to clean certified seed and to process some alternative crops within the Northwestern part and to make access to those crops. Without the regional council working hand-in-hand with us and the local people in this development, the project would not have come off. Over a period of three years, the technical assistance, project feasibility, financing was arranged and we began construction last August. We completed construction about the first of the year and started our processing shortly thereafter. I will list a number of things here that happened while we were proceeding with this project. We received a \$2,500 North Dakota mini grant for market research, \$6,000 from APUC for a feasibility study, Williston Star Fund grant for interest buydown, Magic Fund interest buydown, Stanley Economic Development, and Montreal County Job Development for interest buydowns, loans from North Dakota Community Development Loan Fund, Souris Basin Revolving Loan Fund, State American Bank and Bank of ND Pace Fund, North Dakota Rural Revolving Loan Fund. You can see we are really leveraged here. I hate to tell you how much we borrowed, it was about \$1 million and without the type of help that we got from our regional council out there, this project would not have happened and many others are following in suit. I would like to see this committee help reinstate some funding for our regional council in the entire State (tape 3, side B, meter 300-510).

**RAE ANN KELSCH:** For the record, my name is Rae Ann Kelsch, Representative from District 34, Mandan. I stand in front of you today as a member of the Lewis and Clark Regional Development Council Board. Lewis and Clark Regional Development Council has been in existence for more than 25 years, and on the average, the council has secured about \$2 million per year for projects in the 10 counties that we serve. The council has received state money through contracts with ED&F and its predecessor EDC since 1987. Currently we are receiving about \$27,000 per year under the contract and it is matched 50/50 by us. In 1993, Lewis and Clark started its first RLF, our Capital One Fund, with a \$500,000 grant from ED&A and \$168,000 from local sources, bank utilities, GDA's, etc. Our board makes all of the loan decisions and I have been a member of that board since its inception. In 1995, a second RLF, the Capital Two Fund, was created and in 1998 EDA added grant funds to recapitalize the Capital One Fund. Altogether about \$400,000 in local funds helped the council leverage \$1.25 million in federal funds to establish the RLF's. The ED&F contract funds have been important to the success of the businesses assisted with our capital funds. Good boards and proper collection procedures are necessary and important but by themselves they don't assure success for businesses or RLF's. It is the upfront work that local development groups and businesses identifying suitable projects provided needed technical assistance and packaging of final loan structures to

best meet a businesses needs that lays a foundation needed for success. The ED&F contracts have been important to the council in helping pay for that necessary upfront work. The importance and success of that partnership can be seen by the following: Since 1993 we have approved 25 loans to 21 businesses totaling more than \$1.8 million and leveraging an additional \$21 million in other public and private funds. That financing has helped create or save more than 700 jobs. In that time, less that \$22,000 has had to be written off and as of December 31, 1998, 98% of the borrowers were current. About 25 - 30% of our loans are to businesses. This has allowed both of us to reduce risk while stretching each of our dwindling dollars (tape 3, side B, meter 530-750).

**JOE BLOOMS:** Mayor, Ray, ND. I would like to support HB1019 for more money. Our city itself, through the regional council, has been able to acquire a new business in Ray. It is called MAP. We started out with 25 people and we are going to 39 additional employees and more as MAP grows. It could not have been done in Ray, ND, without the help of the regional council. We have done some checking and through their help, we were able to pick a company that would fit our labor force. It think it is a huge success and the dollars that the regional council gets has been more than paid back, and I think it needs to continue (tape 3, side B, meter 750-862).

**SENATOR NETHING:** Let us move to the General Allocation Grants.

**LEE PETERSON:** President, Minot Area Development Corporation. I would like to support the governor's budget for economic development. We in Minot know how to do economic development, and we do it with our regional councils in cooperation with everyone who is there. The economic development program in North Dakota is unique. There is only one other State that has one like it and it is Montana. We have no marketing program in North Dakota. The reason South Dakota gained 40,000 citizens and we lost people, in my opinion, is because we don't market this State as a place to do business. We are not in the game. Everybody wants better jobs and better companies. We are not going to get them until we let them know we are here, and they don't know we are here. It not only works for communities like Minot and Fargo, but also works for communities like Ruddy, who has the connection and will have 200 jobs in a community where we are not sure that they could find 50 people. We continue to talk about workforce. In Ward County, we have the possibility of increasing our workforce by 2,400 people every year. If we have jobs for those people who are graduating from high school, college, coming out of the air base. We don't have a people problem in North Dakota at this point. What we have is a problem with good opportunities for people to stay. American/Italian Pasta Company just made a huge location in Kenosha, WI. Why are they not in North Dakota? Probably because they don't know much about us. The stories that we have to tell in this State are unbelievable, Rosenbluth, Sykes, US Bank at Fargo, Aetna, Cargill, Clark Equipment, Interstate Brands in Minot, Minot Milling Company. I would like to talk about the marketing that got Minot Milling Company to come to Minot. About 6 years, we deciding that we wanted to get involved more in processing of products that are grown in North Dakota. The answer to the farm problem is processing products in North Dakota. We met with all the people who were doing anything with durum in the State. One of those people was Luke Morono, a three

generation family pasta business. Over 6 years time, joining the National Pasta Association, advertising, trade shows, being in front of those people, we captured a \$25 million durum mill that is employing 25 people at an average wage of \$30,000 a year. Everyone of those people but one is from North Dakota. Many of them were not in North Dakota. They had to go find them. They found them and brought them back here. It is very difficult to say how do you fix this budget after what the House has done to it. Because the marketing program flows through all of the areas that have been cut. Our school district in Minot had problems reroofing their schools. We have now increased the value of the buildings in Minot enough so that the property tax is taking care of the renovation needs of the school without raising taxes. Economic development works and is very important. People will say marketing doesn't work. I guarantee if we spend money on marketing, that when we meet for the next biennium, we will have better jobs and better companies in this State. It is also important that the people who are here understand that we have programs to help them expand inside the State. There are many instate companies who don't know what we have to offer. This is the first time I have stood in favor of economic development and finance in the State of North Dakota in 9 years. I believe that Kevin and his staff are beginning to take this State where it needs to go. It is simply not the time to remove the money to allow us of what we need to do (tape 3, side B, meter 917-1330).

**SENATOR NETHING:** Anyone to testify on the North Dakota Development Fund?

**RON RAUSCHBERGER:** Chairman, North Dakota Development Fund. The Board of Directors of the Development Fund strongly support the \$1 million appropriation for the development fund as recommended in the governor's budget. As you probably can see, the House has recommended \$800,000. The Development Fund provides a gap financing and economic development projects throughout the State of North Dakota. The fund has great flexibility and that is part of the reason for the success of the fund as a gap filler. We have the ability to take equity or debt in a project. The fund does not grant any monies. We recently converted our debt to equity in a value-added ag project. This allowed the ag-related company to improve their balance sheet and therefore receive federal assistance. Our flexibility is by far one of our great capabilities that we have, and I think it allows us a lot of flexibility not only when we are doing the project but later on to help the company in its early stages. During the Grand Forks flood disaster, the North Dakota Development Fund adopted a flood relief program. The response from the Grand Forks primary sector businesses, as well as the local bank was very good. We approved and funded 10 projects for nearly \$1 million in a matter of weeks. Our input as a gap financier helped leverage approximately \$4-5 million for these companies. The Development Fund is currently revolving approximately \$245,000 per month. That includes \$65,000 a month from the Revolving Loan Fund. You need to know about the unseen assets that the development fund staff brings to the table and the projects we were involved with. The staff's expertise allows us to do extensive background and research on proposed projects. This is particularly important in the rural areas. Most rural communities did not have the trained people to do the expertise research needed for some projects. Our staff provides this help and in the processes cannot only help a project become a reality but also could help a community from sometimes taking steps too quickly and ending in a hardship for the rural community. As we all

know, ag alone will not save the rural communities. As we look to the future, it is becoming very clear that technology is one of the links to the world that we need to expand on and perhaps the light at the end of the tunnel for the rural areas. When the communities need the financial assistance with these projects, the North Dakota Development Fund has flexibility to assist. We do not forget about these companies after we fund them. Our staff is very effective with following up every quarter and every half of year with them. As a small business owner in Kambra, I have been involved and active in economic development for 10 years including the Minot Magic Fund, Regional Loan Fund, Interim Director of ED&F, and the North Dakota Development Fund Chairman. I assure you that this is no time to be reducing the appropriation of any of the ED&F programs. Now more than ever, we need ED&F to lead us to new levels. I have had the privilege of working with all of the ED&F staff and can tell you that Director Cramer has done a superb job of focusing the staff on their objectives and assisting the local developers with their needs. The North Dakota Development Fund looks forward to the challenges ahead of us and with our fine staff, we need your help to obtain these goals that communities are working so hard to achieve. Our flexibility allows that to us and we can help leverage a lot of money for these communities (tape 3, side B, meter 1420-1820).

**SENATOR ST. AUBYN:** Did I understand you say that you currently are revolving \$245,000 per month?

**RON RAUSCHBERGER:** The two funds combined are presently revolving approximately \$245,000 a month.

**SENATOR ST. AUBYN:** So you are able to use those dollars?

**RON RAUSCHBERGER:** Right, part of that \$245,000 is the Rural Revolving Loan Fund.

**SENATOR ST. AUBYN:** At some point will there be enough revolving that we won't need the appropriation?

**RON RAUSCHBERGER:** I hope there are enough projects to continue to need input, however, the fund received between \$6-7 million in the first biennium and has decreased since then. We are reducing the needed level, but I don't think there will be a time when it is not needed.

**GRACE WILKIE-YOUNGBIRD:** One of 11 owners of Blue ThunderHawks, Inc., to testify in support of HB1019 (testimony attached (tape 3, side B, meter 1990-2357)).

**DENNIS SECSIS:** Buffalo rancher, Leeds, ND, also is CEO, North American Bison Cooperative and Chairman, Farmers Choice Specialty Foods. I left North Dakota for 28 years and returned in 1994. I was running different manufacturing businesses and came back to a State that had changed dramatically since I left. I got caught up in the value-added agriculture movement that I truly believe is the future for production agriculture in this country. There is no question that the last 30 years, all the prosperity has gone to the value-adders and not to the

producers. The only way producers can help themselves in the farm sector is to move up the food chain and get involved in processing, marketing, and all the things that Kevin Cramer was talking about today. I have developed such a passion for that that I guess I have spoken in most of the States of the Union over the last few years and all across Canada. North Dakota is actually recognized as a leader and it really worries me when I hear that we are talking about cutting funds from the locomotive of economic development. Just a couple of examples: The North American Bison Cooperative, when I arrived to run that company, was on the verge of going broke. If we had not had the North Dakota Development Fund behind us, we got that funding. We grew that into 45 of the best paying jobs in New Rockford, North Dakota. Those jobs are just the tip of the iceberg. The lumberyard has built extensions on to our plant, a new restaurant has been built. The leverage from these kinds of funds is so important that I could not stress it enough. The Development Fund has stood behind Farmers Choice as well. This is the time to put the funding in because the leverage is tremendous. I serve on the Board of the Manufacturing Technology Partnership. This group is needed in this State (tape 3, side B, meter 2366-2770).

**SENATOR KRAUTER:** You mentioned the MTP and Mr. Cramer hopes that the manufacturers or food processors come to the table financially also. Is this a reality?

**DENNIS SECSIS:** In my opinion, it is not a reality. The companies that need the help do not have the money to pay for it.

**SENATOR NETHING:** Did you testify in the House?

**DENNIS SECSIS:** No.

**SENATOR ROBINSON:** What types of foods do you process?

**DENNIS SECSIS:** Frozen pasta.

**JOY JOHNSTON:** Executive Director, Manufacturers and Processors Division of the Greater North Dakota Association (testimony attached (tape 3, side B, meter 3005-3398).

**SENATOR SOLBERG:** The House cut out about \$1.7 million and \$1.55 million and you want that put back?

**JOY JOHNSTON:** We had concurred with the executive recommendation but we had a \$1.2 million line item for marketing, and we also asked for \$900,000 to be added to the North Dakota Development Fund.

**SENATOR SOLBERG:** Can you suggest where we can cut \$3 million so we can add this?

**JOY JOHNSTON:** We had a conversation with the Executive Committee for the Economic Development Association of North Dakota. Their comments were the reprioritization of the ED&F budget could take care of it. They were optimistic that you could find the money elsewhere.

**KEVIN PFIEFER:** Chairman of APUC. I would like to address two issues. The House cut about 2 ½% of the Governor's budget for APUC which is about \$100,000. Are two areas of responsibility mostly lie in the area of our 5 grant programs. The other areas are the administrative side of the ethanol program, and we have a 10% statutory limitation on administrative expenses and during the last biennium we were currently at 5% (tape 3, side B, meter 3639-3715).

**SENATOR SOLBERG:** Is this Special Fund or General Fund money?

**KEVIN PFIEFER:** There is \$1 million from the General Fund. We also have \$500,000 in Federal funds. We are projecting that we can carry over a couple hundred thousand dollars.

**SENATOR SOLBERG:** Was this cut from the General Fund?

**KEVIN PFIEFER:** Yes it was.

**KIM WAGEMAN:** Elk Rancher and Farmer. I utilized an APUC grant to help me start my Elk Ranch. It is quite evident that amongst the ag sector, to promote diversification is something that there just isn't money out there in the ag sector to venture into things that are maybe a little unusual or a little diverse from the norm. I know a number of our elk producers who have gotten grants. A friend of mine, Lee Bowman, got a grant to try bor-h, something that cost him \$60 an acre just for the seed. Some of these ventures are going to bring some opportunities and I can say for myself that if it wasn't for the APUC Grant and a PACE Loan to get me into elk ranching, I seriously wonder if I would still be in agriculture today. There really isn't an incentive to grow wheat and barley and the normal things. But I think if we can diversify and try some of these other things, I think we can bring some new life back to agriculture in North Dakota. I really encourage you to keep the funding there for APUC (tape 3, side B, meter 3826-3990).

**KEVIN CRAMER:** One of the comments that came out of the House often was that we are too top heavy and salaries are too high. Another was that 65% of our budget was administration. One of the problems is that most people view us as a financing agency. They think we deal out money either in grants or loans and it should not cost a lot to do that. Fourteen percent of our budget is administration but a good chunk is salaries, wages, and operating because we are a technical services agency. Education has been the beneficiary in the last decade of the diversification that has occurred in our economy. That has allowed us to have increased revenues when, a decade ago the previous governor could not one time meet the education obligation the second year of the biennium. We have increased funding for education

tremendously under this governor. I am embarrassed for my children's teachers that their organization would take a position like that. They can find \$6 million from us and they will shut us down and then they will have no more children to teach in another decade. It is not about the dollars that we invest. Today, I met with the only major manufacturer of computer disks in North American in Wahpeton. Last year, this company jobbed-out \$1.6 million worth of work in Breckenridge and Alexandria because we did not have a connection in North Dakota. We are working with a defense contractor who is closing a plant in California to bring it to North Dakota. We don't get to brag about all the corporations that we deal with. We have to diversify. It is appropriate that we fund AGPACE and APUC but our future is in other things as well. Last year, agriculture contributed \$1.8 billion to the gross state product of North Dakota. Manufacturing contributed \$1.3 billion, and we were not even paying attention. Services contributed \$3.2 billion and it is projected to be \$4 billion in the next couple of years. We have to diversity and educating in this State to change the culture.

**SENATOR NETHING:** We are going to keep this bill open for the time being. We have not touched the ethanol part of the bill, and we have been requested to keep it open because of a conflict in travel. That part of the bill will be heard on Friday, March 12, at 8:30 a.m. However, we are running out of session days, and we are going to refer this bill to a subcommittee that will be chaired by Senator Grindberg and on the subcommittee will be Senator Kringstad and Senator Lindaas. They will be asked to meet with you and learn more about the impact of what the House reductions mean and see if there are opportunities of shifting within and where we can come out.

**SENATOR NETHING:** Concluded hearing on all other parts of the bill.

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3-12-99 HEARING CONTINUED

**SENATOR NETHING:** Reopened the hearing on HB1019.

**HAROLD NEWMAN:** President of Alchem, Ltd., Grafton, North Dakota, producer of Ethanol and DGB products to testify in support of HB1019 (tape 1, side A, meter 1-569). At Grafton, we are currently producing 10M gallons of Ethanol a year, 365,000 tons of DGB. DGB is used mainly in dairying. The product goes to Idaho, California and is used for the dairy herd producing longer and produces more offspring. We are currently using 50,000 acres of corn, 3.6M bushels, eighteen trucks all corn in daily to Grafton, three and one-half trucks a day haul ethanol out, five trucks a day haul DGB out. Our understanding from the corn producers and corn seed people, 40% more corn was produced east of 281 and north of 200 last year. I'm not implying that all this corn was increased because of our operation but, it did give a market for the farmers producing the corn. We currently have forty-five employees. According to an NDSU study, corn has gone up \$.06 a bushel since ethanol has been produced in North Dakota, which is twelve years now. We use 25% of the City of Grafton's electric power which is generated by



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their Municipal Utility. We are a substantial user of electric energy, about \$325,000 was used last year, water and sewer, \$190,000 and natural gas consumption was about \$1.6M, our property taxes are \$18,000 per year. That is the value of the part of the business that we put a high priority on, the value added portion of the business. One of the problems that keeps hitting us on the head is, we only have 15% of the gasoline used at the pump. 35% in South Dakota is ethanol and 95% is ethanol in Minnesota since it's mandated. It is a competitive situation and we do need incentives to make it work. Historically we've had incentives of \$2M for about 10 years. Last year two years, it was \$1.75M or 12 1/2% reduction from the previous allotments. If the House bill prevails, our reduction would be 25% and that would be quite drastic to the business. The price of gasoline is at an all time low and ethanol seems to be pretty commensurate with the price of gasoline. At the present time, we're getting \$.94 a gallon and that's very low. DGB seem to go up and down with the price of corn. As to incentives and the competitive part which basically drives the business, in Nebraska if you put up a \$52M plant they will give you \$26M back in cash benefits. Minnesota, 10M gallon plant the same size as ours, you get an incentive of \$3M a year for ten years. Again, the product is mandated there, they have their own market with quite of an advantage. In the amendment that Senator Tallackson will distribute, the conforming of the act is extended to the year 2007, which conforms to the Federal Act. There is reason, in my opinion to be optimistic about the business. California mandates what they call MTBE, which is made from coal and causes a lot of environmental problems. About six months ago, both Legislatures passed unanimously, bills that would allow ethanol in California and the Governor vetoed the bill. We're still optimistic that we will be able to sell our product in California. Rail wise, we have a direct shot out there and we feel we have an advantage similar to Nebraska. Currently, we're shut down for six to eight months. We're able to negotiate favorable terms on the debt that we owe FMHA. We look forward to the better things, get a better price on our product and we hope you look favorable towards the incentive of \$2.2M.

**SENATOR ANDRIST:** Can you see daylight at the end of the tunnel on this program?

**HAROLD NEWMAN:** At one time the price of alcohol was \$1.72 during the Iranian crisis, 1991. If you take 10M gallons at another \$.80, it should be pretty profitable. However, at that time corn was \$5.00, it always seems there is a balance. We still import 60% of our oil in America.

**SENATOR NETHING:** Run by the changes the House made on this bill.

**HAROLD NEWMAN:** The last two sessions, the funding level was \$2M, two years ago in conference committee it was \$1.75M or a 12% reduction. The Governor's budget is \$1.5M which is a 25% reduction and the House concurred.

**SENATOR NETHING:** I see, they made the maximum payment \$750,000, is that a problem?

**HAROLD NEWMAN:** Not really, because the apportionment issue. The amendment we're proposing is \$1.1M a year.

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**HARVEY TALLACKSON:** Senator from District 16 (tape 1, side A, meter 817-1030). Several years ago, we were criticized severally from taking highway funds away from construction of the highways so, we created our own funding. We extended the registration fee to six years and that sixth year money went to the ethanol fund. This biennium it will raise \$2.2M and we also receive a \$.01 from the refund back to the farmers of the gas they didn't use. That will bring in \$375,000. We have funding for over \$2.5M and the funds that we raised weren't designated for highway construction. Last biennium when they lowered it to \$1.75M, the balance of the money went into the highway fund and was used for construction of roads. Anything that we don't use the highway department uses for construction. We actually benefited the highway construction fund for the difference between the \$2.5M and the \$1.75M in the last biennium. We're proud that we created our own funding source.

**SENATOR ST. AUBYN:** Is it a portion of the registration fees?

**HARVEY TALLACKSON:** Yes, just a portion. If on the sixth year of your vehicle registration fee was to be reduced by \$10.00, it doesn't and we keep the \$10.00 difference.

**SENATOR NETHING:** What happens the next biennium?

**HARVEY TALLACKSON:** It continues in the Law.

**HARVEY TALLACKSON:** Explained the proposed amendment (amendment attached ) tape 1, side A, meter 1123-1285).

**SENATOR NETHING:** Closed the hearing on HB1019.

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**4/01/99** Tape 1, Side A, Meter 500-3363

**SENATOR NETHING:** Reopened the hearing on HB1019.

**SENATOR GRINDBERG:** Explained the amendments to HB1019.

**SENATOR NETHING:** Called for the motion.

**SENATOR GRINDBERG:** Moved a Do Pass on the amendment to HB1019.

**SENATOR KRINGSTAD:** Seconded the motion.

**SENATOR KRAUTER:** I'm concerned that we are setting a precedence. We have been so successful with Ag Products Utilization and what they have done. I've had experiences where groups have gone to APUC and they are very studios, very controlled group with projects and funding and if it doesn't meet those criteria they let you know why and they give you examples

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and other sources to go to. I think it's been so successful that I think we're tweaking it. I support ARCAF but, I think it's one of those things that we're tweaking APUC probably at a time when we shouldn't be doing those things. They've been successful. We're setting a precedence and we'll be doing it again.

**SENATOR BOWMAN:** This amendment clarifies the language so it's possible to use that funding source. If there had to be an Attorney General's opinion, we felt that the language had to be clear, it clarifies it.

**SENATOR SOLBERG:** I'm concerned on the increase of the incentive payments for Ethanol from \$750 to \$1.1M per year and raising it from \$1.5 to \$2.2M. I don't know where this is going to stop. I've never been a proponent of this, especially when it costs you more to produce a BTU than what you get back. We have two plants and I think only one is being paid. There's talk about another one coming online. We don't utilize the by product, it's all shipped out. I don't understand.

**SENATOR GRINDBERG:** I spent a fair amount of time on this issue. I will almost assure you, this is an issue that will be readdressed in conference committee. We've been approached numerous times. Your points well taken.

**SENATOR TALLACKSON:** The money raised by the license extension fee is the basis for the \$1.1M each year. Also the one cent gas tax, the farmer refund goes into that highway tax fund. Last session, Harold Neuman took it over the plant and put a million dollars of his own funds in and said he was going to pay back all the farmers and elevators that has money coming to them. This is a big boost to our agriculture, they use 10,000 bushels of corn a day. It's a long way from over yet.

**SENATOR SOLBERG:** In the corn that is being used, this is grown in the valley. I don't think you could find too many tractors down there running on gas. If this continues, I think there better be a different way of funding this. Your tractors that are used on the farm using gas, 90%. If this is going to help the corn market, maybe we need a tax on diesel fuel delivered to the farm instead of the gas.

**SENATOR TALLACKSON:** We talked about economic development in the State and there isn't going to be another Ethanol plant built in North Dakota even though they have been proposed to operate on barley. Minnesota gives the Ethanol plants, \$3M per year as an incentive. If you we're going to build a plant, you wouldn't build a plant in North Dakota. First, our plants have to compete with the plants across the river that are getting \$3M upfront and they have to make that up before they are competitive in the market. We're way behind other State's on this.

**SENATOR ST. AUBYN:** On page 2 of the amendments, where we talk about the Legislative Council shall study, the preference the Majority Leader has is, shall consider studying. It let's Legislative Council make those decisions.

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**SENATOR GRINDBERG:** For a matter of being consistent, I do appreciate that. I would support that but, want to echo the remarks that we have never had a serious study on Economic Development. The Legislative Interim Committees have never really taken a serious look at it.

**SENATOR KRAUTER:** I think that's a perfect study that has to be done. This last interim, the committee that was assigned to these types of things, met two to three times relating to economic activity in the State. It's frustrating, these are really important issues and we are not hitting them head on. I think this is a perfect situation to get this issue put on the table, get everybody to the table and talk about it. I hope we keep that wording in there.

**SENATOR KRAUTER:** The commission for APUC can require the contractor repayment of that, if it's so good there to be done in APUC, why are we doing it in North Dakota Development fund? We don't have that same wording in the development fund. The APUC is giving seed money and giving that boost to agriculture related initiatives to do that extra step privately. Now we're tying their hands. If they don't do one certain thing, they want the money back. They don't have the money, it was spent on doing the research. That's a hard one to swallow.

**SENATOR ANDRIST:** I'm a little concerned. It looks like the grant monies there and I think the priority of most of this is to try to get as much money as we can out. I know in the case of our regional council they were counting on this money for some ongoing projects and I'm uncomfortable. While the grant money is there, these guys can't have the comfort level that they are going to get it from the State Office.

**SENATOR GRINDBERG:** The point is well taken. I think that's a separate issue, whether we want to start direct general funds appropriations to regional councils. The funding has been traditional, it's been a relationship with those councils and I personally don't feel we should get into directing those dollars for those efforts. If so, we should be talking about it as a whole separate entity away from Economic Development.

**SENATOR ANDRIST:** Was it a specific grant in the prior budget?

**SENATOR GRINDBERG:** I don't believe so. It was under the discretion with the general allocation grants.

**SENATOR KRAUTER:** In the past, it's been an intent that the regional councils receive that. I know it's not an actual line item but, it's intent. That way a Legislator has that opportunity in the next biennium to see if the intent was fulfilled. If the intent is not there and if they have no intent, it's not going to happen. If the intent is written in their, you have that opportunity to come back and get the reasons why it wasn't done. I would agree with Senator Andrist, it would be nice to have that language in there, not a separate line item but, the intent is important.

**SENATOR SOLBERG:** I would speak against that, there is a very good reason for putting "may" in. The Lake Agency planning council has flown in the face of everything the Legislature

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has said, everything the Attorney General has done and if you put "may" in there, then your going to direct it right to them.

**SENATOR KRAUTER:** You need to understand, that's why we have agency heads and this Legislative intent. If there is legitimate reasons, that's why they don't give it to that particular council and they can provide that information so we come back in the next session we can see that. That's why it's put there.

**SENATOR ST. AUBYN:** I spoke to the Majority Leader and he's indicated that even though he supports the study and he would support the Legislative Council studying this issue, it's his contention that it should read shall consider studying rather than mandating. If every committee or study says that, the Legislative Council is never going to be able to deal with all these. It should maintain that standard of shall consider studying.

**ROLL CALL: 11 YEAS; 3 NAY; 0 ABSENT & NOT VOTING.**

Yeas: Nething; Naaden; Lindaas; Tallackson; Robinson; St. Aubyn; Grindberg; Holmberg; Kringstad; Bowman; Andrist.

Nay: Solberg; Tomac; Krauter.

**SENATOR GRINDBERG:** Moved a Do Pass as Amended on HB1002.

**SENATOR LINDAAS:** Seconded the motion.

**ROLL CALL: 12 YEAS; 2 NAY; 0 ABSENT & NOT VOTING.**

Yeas: Nething; Naaden; Solberg; Lindaas; Tallackson; Robinson; St. Aubyn; Grindberg; Holmberg; Kringstad; Bowman; Andrist.

Nay: Tomac; Krauter.

The motion of Do Pass as Amended on HB1002 carried.

**CARRIER: SENATOR GRINDBERG.**

**SENATOR NETHING:** Closed the hearing on HB1002.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

Page 1, line 19, replace "3,985,911" with "4,685,911"

Page 1, line 20, replace "10,896,863" with "11,596,863"

Page 1, line 21, replace "3,693,075" with "4,393,075"

Page 2, line 10, replace "\$1,507,000" with "\$2,207,000"

Page 2, line 12, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 10, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 11, replace "\$750,000" with "\$1,100,000"

Page 4, line 14, replace "seven" with "twelve"

Page 4, line 21, after "million" insert "one hundred thousand"

Page 4, line 22, overstrike "ethanol plant that was in operation before July 1,"

Page 4, overstrike line 23

Page 4, line 24, overstrike "ethanol in the previous fiscal year and an"

Page 4, line 25, overstrike "are each" and insert immediately thereafter "is"

Page 5, after line 16, insert:

**"SECTION 11. CONTINGENT ETHANOL INCENTIVE PAYMENTS.** In addition to the ethanol incentive payments provided in section 1 of this Act and notwithstanding any other sections of law there is hereby appropriated \$500,000, or so much thereof as may be necessary, from the highway tax distribution fund for the biennium beginning July 1, 1999, and ending June 30, 2001, for the purpose of providing production incentives to any ethanol plant that becomes operational after July 1, 1999."

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 601 - ECONOMIC DEVELOPMENT AND FINANCE

SENATE - This amendment makes the following changes:

- **Increases the ethanol plant production incentives from \$1,500,000 to \$2,200,000.**
- **Increases the maximum production incentive that may be paid annually from \$750,000 to \$1,100,000.**
- **Extends the number of years that an ethanol plant may receive the incentives, if in operation before July 1, 1995, from seven in the engrossed bill to 12.**
- **Provides for contingent ethanol incentive payments of \$500,000 for a plant that becomes operational after July 1, 1999.**

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

Page 1, line 3, after the second semicolon insert "to authorize a mutual fund capital pool;"; after "sections" insert "4-14.1-03.1.", and after "4-14.1-07" insert a comma

Page 1, line 4, after "to" insert "grant repayments and"

Page 1, line 5, after "purposes" insert "; to provide for a legislative council study; to provide legislative intent;"

Page 1, line 13, replace "2,358,086" with "2,798,086"

Page 1, line 14, replace "2,008,447" with "2,158,447"

Page 1, line 15, replace "66,358" with "96,358"

Page 1, line 16, replace "1,078,061" with "2,308,061"

Page 1, remove line 17

Page 1, line 18, replace "800,000" with "550,000"

Page 1, line 19, replace "3,985,911" with "4,535,911"

Page 1, line 20, replace "10,896,863" with "12,446,863"

Page 1, line 21, replace "3,693,075" with "4,293,075"

Page 1, line 22, replace "7,203,788" with "8,153,788"

Page 1, after line 22, insert:

**"SECTION 2. APPROPRIATION.** There is hereby appropriated out of any moneys in the agricultural fuel tax fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agricultural products utilization commission for the purpose of obtaining assistance in resolving beef industry trade issues, for the biennium beginning July 1, 1999, and ending June 30, 2001. Notwithstanding any other provisions of law, the agricultural products utilization commission may use these funds to obtain the assistance of the ranchers and cattlemen action legal foundation."

Page 2, line 10, replace "\$1,507,000" with "\$2,207,000"

Page 2, line 12, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 10, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 11, replace "\$750,000" with "\$1,100,000"

Page 3, line 16, replace "\$800,000" with "\$550,000"



Page 4, after line 6, insert:

**"SECTION 10. AMENDMENT.** Section 4-14.1-03.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.** The North Dakota agricultural products utilization commission may apply for, accept, and expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter. The commission may administer grant programs consistent with the purpose of this chapter including a basic and applied research grant program, utilization and marketing grant program, cooperative marketing grant program, farm diversification grant program, agricultural prototype development grant program, and a North American marketing grant program. The commission may require, by contract, repayment of a grant, in whole or in part, if the grant recipient does not fulfill the conditions under which the grant was awarded."

Page 4, line 14, replace "seven" with "twelve"

Page 4, line 21, after "million" insert "one hundred thousand"

Page 4, line 22, overstrike "ethanol plant that was in operation before July 1,"

Page 4, overstrike line 23

Page 4, line 24, overstrike "ethanol in the previous fiscal year and an"

Page 4, line 25, overstrike "are each" and insert immediately thereafter "is"

Page 4, after line 27, insert:

**"SECTION 12. MUTUAL FUND CAPITAL POOL - AUTHORIZATION.** The department of economic development and finance, in conjunction with the agricultural products utilization commission, may establish a mutual fund capital pool to attract farm and nonfarm investments in value-added processing projects."

Page 5, after line 16, insert:

**"SECTION 14. CONTINGENT ETHANOL INCENTIVE PAYMENTS.** In addition to the ethanol incentive payments provided in section 1 of this Act and notwithstanding any other sections of law, there is hereby appropriated \$300,000, or so much of the sum as may be necessary, from the highway tax distribution fund for the biennium beginning July 1, 1999, and ending June 30, 2001, for the purpose of providing production incentives to any ethanol plant that becomes operational after July 1, 1999. An eligible plant shall receive ten cents for each gallon of agriculturally derived fuel as defined in this Act produced in the state which is marketed by the producing plant to a distributor or wholesaler for sale within North Dakota.

**SECTION 15. LEGISLATIVE COUNCIL STUDY - ECONOMIC DEVELOPMENT AND FINANCE EFFORTS.** The legislative council shall consider studying during the 1999-2000 interim the economic development efforts in the state, including the provision of economic development services statewide and the related effectiveness, the potential for the privatization of the department of economic development and finance, and the appropriate location of the North Dakota development fund, including the potential transfer of the fund to the Bank of North Dakota.

**SECTION 16. LEGISLATIVE INTENT - GRANTS LINE ITEM.** It is the intent of the legislative assembly that \$150,000 of the grants line item in section 1 of this Act be available for the manufacturing technology partnership.

**SECTION 17. LEGISLATIVE INTENT - GRANT ALLOCATION - UNITED STATES DEPARTMENT OF AGRICULTURE DESIGNATED CHAMPION COMMUNITIES.** It is the intent of the legislative assembly that \$50,000 of the grants line item in section 1 of this Act be allocated to provide matching funds on a dollar-for-dollar basis to United States department of agriculture designated champion communities for the funding of an economic development coordinator employed by the champion communities to assist in economic development. Local matching funds may be in cash or in-kind contributions."

Page 5, line 17, replace "10" with "13"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 601 - DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$3,041,771	\$2,358,086	\$440,000	\$2,798,086
Operating expenses	2,158,447	2,008,447	150,000	2,158,447
Equipment	96,358	66,358	30,000	96,358
Grants	1,518,061	1,078,061	1,230,000	2,308,061
General allocation grants	750,000	600,000	(600,000)	
North Dakota Development Fund	1,000,000	800,000	(250,000)	550,000
Agricultural Products Utilization Commission	4,085,911	3,985,911	550,000	4,535,911
Separate section - APUC			<u>100,000</u>	<u>100,000</u>
Total all funds	\$12,650,548	\$10,896,863	\$1,650,000	\$12,546,863
Less special funds	<u>3,695,701</u>	<u>3,693,075</u>	<u>700,000</u>	<u>4,393,075</u>
General fund	\$8,954,847	\$7,203,788	\$950,000	\$8,153,788
FTE	29.00	26.00	0.00	26.00

Detail of Senate changes to the House version includes:

	RESTORE SALARIES AND WAGES	RESTORE OPERATING EXPENSES	RESTORE EQUIPMENT	COMBINE GRANTS AND INCREASE BY \$630,000	REDUCE DEVELOPMENT FUND	REDUCE AGRICULTURAL PRODUCTS UTILIZATION COMMISSION
Salaries and wages	\$440,000					
Operating expenses		\$150,000				
Equipment			\$30,000			
Grants				\$1,230,000		
General allocation grants				(600,000)		
North Dakota Development Fund					(\$250,000)	
Agricultural Products Utilization Commission						(\$150,000)
Separate section - APUC						
Total all funds	\$440,000	\$150,000	\$30,000	\$630,000	(\$250,000)	(\$150,000)
Less special funds						<u>(100,000)</u>
General fund	\$440,000	\$150,000	\$30,000	\$630,000	(\$250,000)	(\$50,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	INCREASE APUC LINE ITEM TO PROVIDE \$2,200,000 OF ETHANOL INCENTIVES	ADD FUNDING FOR RESOLVING BEEF INDUSTRY TRADE ISSUES	TOTAL SENATE CHANGES			

Salaries and wages			\$440,000
Operating expenses			150,000
Equipment			30,000
Grants			1,230,000
General allocation grants			(600,000)
North Dakota Development Fund			(250,000)
Agricultural Products Utilization Commission	\$700,000		550,000
Separate section - APUC		<u>\$100,000</u>	<u>100,000</u>
<b>Total all funds</b>	<b>\$700,000</b>	<b>\$100,000</b>	<b>\$1,650,000</b>
Less special funds	<u>700,000</u>	<u>100,000</u>	<u>700,000</u>
General fund	\$0	\$0	\$950,000
FTE	0.00	0.00	0.00

**Senate changes narrative:**

These amendments restore \$440,000 of the House reduction of \$650,000 to salaries and wages; restore the \$150,000 reduction to operating expenses; restore the \$30,000 reduction to equipment; combine the grants line items, restore the House reductions of \$590,000, and add \$40,000; reduce the Development Fund by \$250,000; and reduce Agricultural Products Utilization Commission by \$50,000, all from the general fund. The director may use the grants line item for funding to the regional economic development councils. The Agricultural Products Utilization Commission line item is reduced by \$100,000 from the agricultural fuel tax fund, and \$100,000 from this fund is appropriated to the Agricultural Products Utilization Commission in a separate section to be used for resolving beef industry trade issues.

**These amendments also make the following changes:**

- Increase the ethanol plant production incentives from \$1,500,000 to \$2,200,000.
- Increase the maximum production incentive that may be paid annually from \$750,000 to \$1,100,000.
- Extend the number of years that an ethanol plant may receive the incentives, if in operation before July 1, 1995, from seven in the engrossed bill to 12.
- Provide for contingent ethanol incentive payments of \$300,000 for a plant that becomes operational after July 1, 1999. An eligible plant may receive 10 cents per gallon of agriculturally derived fuel (equivalent 40 cents per gallon for 25 percent of production). (Section 14)
- Amend Section 4-14.1-03.1 regarding Agricultural Products Utilization Commission authority. (Section 10)
- Authorize Economic Development and Finance to establish a mutual fund capital pool. (Section 12)
- Provide for a Legislative Council study of economic development. (Section 15)
- Provide legislative intent regarding grants. (Sections 16 and 17)



Page 4, after line 6, insert:

**"SECTION 10. AMENDMENT.** Section 4-14.1-03.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.** The North Dakota agricultural products utilization commission may apply for, accept, and expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter. The commission may administer grant programs consistent with the purpose of this chapter including a basic and applied research grant program, utilization and marketing grant program, cooperative marketing grant program, farm diversification grant program, agricultural prototype development grant program, and a North American marketing grant program. The commission may require, by contract, repayment of a grant, in whole or in part, if the grant recipient does not fulfill the conditions under which the grant was awarded."

Page 4, line 14, replace "seven" with "twelve"

Page 4, line 21, after "million" insert "one hundred thousand"

Page 4, line 22, overstrike "ethanol plant that was in operation before July 1,"

Page 4, overstrike line 23

Page 4, line 24, overstrike "ethanol in the previous fiscal year and an"

Page 4, line 25, overstrike "are each" and insert immediately thereafter "is"

Page 4, after line 27, insert:

**"SECTION 12. MUTUAL FUND CAPITAL POOL - AUTHORIZATION.** The department of economic development and finance, in conjunction with the agricultural products utilization commission, may establish a mutual fund capital pool to attract farm and nonfarm investments in value-added processing projects."

Page 5, after line 16, insert:

**"SECTION 14. CONTINGENT ETHANOL INCENTIVE PAYMENTS.** In addition to the ethanol incentive payments provided in section 1 of this Act and not withstanding any other sections of law, there is hereby appropriated \$300,000, or so much of the sum as may be necessary, from the highway tax distribution fund for the biennium beginning July 1, 1999, and ending June 30, 2001, for the purpose of providing production incentives to any ethanol plant that becomes operational after July 1, 1999. An eligible plant is entitled to receive ten cents for each gallon of agriculturally derived fuel as defined in this Act produced in the state which is marketed by the producing plant to a distributor or wholesaler for sale within North Dakota.

**SECTION 15. LEGISLATIVE COUNCIL STUDY - ECONOMIC DEVELOPMENT AND FINANCE EFFORTS.** The legislative council shall consider studying during the 1999-2000 interim the economic development efforts in the state, including the provision of economic development services statewide and the related effectiveness, the potential for the privatization of the department of economic development and finance, and the appropriate location of the North Dakota development fund, including the potential transfer of the fund to the Bank of North Dakota.

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**SECTION 16. LEGISLATIVE INTENT - GRANTS LINE ITEM.** It is the intent of the legislative assembly that \$150,000 of the grants line item in section 1 of this Act be available for the manufacturing technology partnership.

**SECTION 17. LEGISLATIVE INTENT - GRANT ALLOCATION - UNITED STATES DEPARTMENT OF AGRICULTURE DESIGNATED CHAMPION COMMUNITIES.** It is the intent of the legislative assembly that \$50,000 of the grants line item in section 1 of this Act be allocated to provide matching funds on a dollar-for-dollar basis to United States department of agriculture designated champion communities for the funding of an economic development coordinator employed by the champion communities to assist in economic development. Local matching funds may be in cash or in-kind contributions."

Page 5, line 17, replace "10" with "13"

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

DEPARTMENT 601 - DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE

SENATE - This amendment makes the following changes:

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Grants	1,518,061	1,078,061	1,230,000	2,308,061
General allocation grants	750,000	600,000	(600,000)	
North Dakota Development Fund	1,000,000	800,000	(250,000)	550,000
Agricultural Products Utilization Commission	4,085,911	3,985,911	550,000	4,535,911
Separate section - APUC			100,000	100,000
<b>Total all funds</b>	<b>\$12,650,548</b>	<b>\$10,896,863</b>	<b>\$1,650,000</b>	<b>\$12,546,863</b>
Less special funds	3,695,701	3,693,075	700,000	4,393,075
General fund	\$8,954,847	\$7,203,788	\$950,000	\$8,153,788
FTE	29.00	28.00	0.00	28.00

Detail of Senate changes to the House version includes:

	RESTORE SALARIES AND WAGES	RESTORE OPERATING EXPENSES	RESTORE EQUIPMENT	COMBINE GRANTS AND INCREASE BY \$830,000	REDUCE DEVELOPMENT FUND	REDUCE AGRICULTURAL PRODUCTS UTILIZATION COMMISSION
Salaries and wages	\$440,000					
Operating expenses		\$150,000				
Equipment			\$30,000			
Grants				\$1,230,000		
General allocation grants				(600,000)		
North Dakota Development Fund					(\$250,000)	
Agricultural Products Utilization Commission						(\$150,000)
Separate section - APUC						
<b>Total all funds</b>	<b>\$440,000</b>	<b>\$150,000</b>	<b>\$30,000</b>	<b>\$830,000</b>	<b>(\$250,000)</b>	<b>(\$150,000)</b>
Less special funds						(,00,000)
General fund	\$440,000	\$150,000	\$30,000	\$830,000	(\$250,000)	(\$50,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	INCREASE APUC LINE ITEM TO PROVIDE \$2,200,000 OF ETHANOL INCENTIVES	ADD FUNDING FOR RESOLVING BEEF INDUSTRY TRADE ISSUES	TOTAL SENATE CHANGES			

Salaries and wages			\$440,000
Operating expenses			150,000
Equipment			30,000
Grants			1,230,000
General allocation grants			(800,000)
North Dakota Development Fund			(250,000)
Agricultural Products Utilization Commission	\$700,000		550,000
Separate section - APUC		\$100,000	100,000
<b>Total all funds</b>	<b>\$700,000</b>	<b>\$100,000</b>	<b>\$1,850,000</b>
<b>Less special funds</b>	<b>700,000</b>	<b>100,000</b>	<b>700,000</b>
General fund	\$0	\$0	\$950,000
FTE	0.00	0.00	0.00

Senate changes narrative:

These amendments restore \$440,000 of the House reduction of \$650,000 to salaries and wages; restore the \$150,000 reduction to operating expenses; restore the \$30,000 reduction to equipment; combine the grants line items, restore the House reductions of \$590,000, and add \$40,000; reduce the Development Fund by \$250,000; and reduce Agricultural Products Utilization Commission by \$50,000, all from the general fund. The director may use the grants line item for funding to the regional economic development councils. The Agricultural Products Utilization Commission line item is reduced by \$100,000 from the agricultural fuel tax fund, and \$100,000 from this fund is appropriated to the Agricultural Products Utilization Commission in a separate section to be used for resolving beef industry trade issues.

These amendments also make the following changes:

- Increase the ethanol plant production incentives from \$1,500,000 to \$2,200,000.
- Increase the maximum production incentive that may be paid annually from \$750,000 to \$1,100,000.
- Extend the number of years that an ethanol plant may receive the incentives, if in operation before July 1, 1995, from seven in the engrossed bill to 12.
- Provide for contingent ethanol incentive payments of \$300,000 for a plant that becomes operational after July 1, 1999. An eligible plant may receive 10 cents per gallon of agriculturally derived fuel (equivalent 40 cents per gallon for 25 percent of production). (Section 14)
- Amend Section 4-14.1-03.1 regarding Agricultural Products Utilization Commission authority. (Section 10)
- Authorize Economic Development and Finance to establish a mutual fund capital pool. (Section 12)
- Provide for a Legislative Council study of economic development. (Section 15)
- Provide legislative intent regarding grants. (Sections 16 and 17)

**PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019**

Page 1, line 3, after the second semicolon insert "to authorize a mutual fund capital pool;"; after "sections" insert "4-14.1-03.1," and after "4-14.1-07" insert a comma

Page 1, line 4, after "to" insert "grant repayments and"

Page 1, line 5, after "purposes" insert "; to provide for a legislative council study; to provide legislative intent;"

Page 1, line 13, replace "2,358,086" with "2,798,086"

Page 1, line 14, replace "2,008,447" with "2,158,447"

Page 1, line 15, replace "66,358" with "96,358"

Page 1, line 16, replace "1,078,061" with "2,308,061"

Page 1, remove line 17

Page 1, line 18, replace "800,000" with "550,000"

Page 1, line 19, replace "3,985,911" with "4,535,911"

Page 1, line 20, replace "10,896,863" with "12,446,863"

Page 1, line 21, replace "3,693,075" with "4,293,075"

Page 1, line 22, replace "7,203,788" with "8,153,788"

Page 1, after line 22, insert:

**"SECTION 2. APPROPRIATION.** There is hereby appropriated out of any moneys in the agricultural fuel tax fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agricultural products utilization commission for the purpose of obtaining assistance in resolving beef industry trade issues, for the biennium beginning July 1, 1999, and ending June 30, 2001. Notwithstanding any other provisions of law, the agricultural products utilization commission may use these funds to obtain the assistance of the ranchers and cattlemen action legal foundation."

Page 2, line 10, replace "\$1,507,000" with "\$2,207,000"

Page 2, line 12, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 10, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 11, replace "\$750,000" with "\$1,100,000"

Page 3, line 16, replace "\$800,000" with "\$550,000"



Page 4, after line 6, insert:

**"SECTION 10. AMENDMENT.** Section 4-14.1-03.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.** The North Dakota agricultural products utilization commission may apply for, accept, and expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter. The commission may administer grant programs consistent with the purpose of this chapter including a basic and applied research grant program, utilization and marketing grant program, cooperative marketing grant program, farm diversification grant program, agricultural prototype development grant program, and a North American marketing grant program. The commission may require, by contract, repayment of a grant, in whole or in part, if the grant recipient does not fulfill the conditions under which the grant was awarded."

Page 4, line 14, replace "seven" with "twelve"

Page 4, line 21, after "million" insert "one hundred thousand"

Page 4, line 22, overstrike "ethanol plant that was in operation before July 1,"

Page 4, overstrike line 23

Page 4, line 24, overstrike "ethanol in the previous fiscal year and an"

Page 4, line 25, overstrike "are each" and insert immediately thereafter "is"

Page 4, after line 27, insert:

**"SECTION 12. MUTUAL FUND CAPITAL POOL - AUTHORIZATION.** The department of economic development and finance, in conjunction with the agricultural products utilization commission, may establish a mutual fund capital pool to attract farm and nonfarm investments in value-added processing projects."

Page 5, after line 16, insert:

**"SECTION 14. CONTINGENT ETHANOL INCENTIVE PAYMENTS.** In addition to the ethanol incentive payments provided in section 1 of this Act and not withstanding any other sections of law, there is hereby appropriated \$300,000, or so much of the sum as may be necessary, from the highway tax distribution fund for the biennium beginning July 1, 1999, and ending June 30, 2001, for the purpose of providing production incentives to any ethanol plant that becomes operational after July 1, 1999. An eligible plant shall receive ten cents for each gallon of agriculturally derived fuel as defined in this Act produced in the state which is marketed by the producing plant to a distributor or wholesaler for sale within North Dakota.

**SECTION 15. LEGISLATIVE COUNCIL STUDY - ECONOMIC DEVELOPMENT AND FINANCE EFFORTS.** The legislative council shall study during the 1999-2000 interim the economic development efforts in the state, including the provision of economic development services statewide and the related effectiveness, the potential for the privatization of the department of economic development and finance, and the appropriate location of the North Dakota development fund, including the potential transfer of the fund to the Bank of North Dakota.

3 of 4

**SECTION 16. LEGISLATIVE INTENT - GRANTS LINE ITEM.** It is the intent of the legislative assembly that \$150,000 of the grants line item in section 1 of this Act be available for the manufacturing technology partnership.

**SECTION 17. LEGISLATIVE INTENT - GRANT ALLOCATION - UNITED STATES DEPARTMENT OF AGRICULTURE DESIGNATED CHAMPION COMMUNITIES.** It is the intent of the legislative assembly that \$50,000 of the grants line item in section 1 of this Act be allocated to provide matching funds on a dollar-for-dollar basis to United States department of agriculture designated champion communities for the funding of an economic development coordinator employed by the champion communities to assist in economic development. Local matching funds may be in cash or in-kind contributions."

Page 5, line 17, replace "10" with "13"

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**DEPARTMENT 601 - DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE**

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$3,041,771	\$2,358,086	\$440,000	\$2,798,086
Operating expenses	2,158,447	2,008,447	150,000	2,158,447
Equipment	96,358	66,358	30,000	96,358
Grants	1,518,061	1,078,061	1,230,000	2,308,061
General allocation grants	750,000	600,000	(600,000)	
North Dakota Development Fund	1,000,000	800,000	(250,000)	550,000
Agricultural Products Utilization Commission	4,085,911	3,985,911	550,000	4,535,911
Separate section - APUC			<u>100,000</u>	<u>100,000</u>
<b>Total all funds</b>	<b>\$12,650,548</b>	<b>\$10,896,863</b>	<b>\$1,650,000</b>	<b>\$12,546,863</b>
Less special funds	<u>3,695,701</u>	<u>3,693,075</u>	<u>700,000</u>	<u>4,393,075</u>
General fund	\$8,954,847	\$7,203,788	\$950,000	\$8,153,788
FTE	29.00	26.00	0.00	26.00

Detail of Senate changes to the House version includes:

	RESTORE SALARIES AND WAGES	RESTORE OPERATING EXPENSES	RESTORE EQUIPMENT	COMBINE GRANTS AND INCREASE BY \$630,000	REDUCE DEVELOPMENT FUND	REDUCE AGRICULTURAL PRODUCTS UTILIZATION COMMISSION
Salaries and wages	\$440,000					
Operating expenses		\$150,000				
Equipment			\$30,000			
Grants				\$1,230,000		
General allocation grants				(600,000)		
North Dakota Development Fund					(\$250,000)	
Agricultural Products Utilization Commission						(\$150,000)
Separate section - APUC						
<b>Total all funds</b>	<b>\$440,000</b>	<b>\$150,000</b>	<b>\$30,000</b>	<b>\$630,000</b>	<b>(\$250,000)</b>	<b>(\$150,000)</b>
Less special funds						<u>(100,000)</u>
General fund	\$440,000	\$150,000	\$30,000	\$630,000	(\$250,000)	(\$50,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00
	INCREASE APUC LINE ITEM TO PROVIDE \$2,200,000 OF ETHANOL INCENTIVES	ADD FUNDING FOR RESOLVING BEEF INDUSTRY TRADE ISSUES	TOTAL SENATE CHANGES			

464

Salaries and wages			\$440,000
Operating expenses			150,000
Equipment			30,000
Grants			1,230,000
General allocation grants			(600,000)
North Dakota Development Fund			(250,000)
Agricultural Products Utilization Commission	\$700,000		550,000
Separate section - APUC		<u>\$100,000</u>	<u>100,000</u>
Total all funds	\$700,000	\$100,000	\$1,650,000
Less special funds	<u>700,000</u>	<u>100,000</u>	<u>700,000</u>
General fund	\$0	\$0	\$950,000
FTE	0.00	0.00	0.00

Senate changes narrative:

These amendments restore \$440,000 of the House reduction of \$650,000 to salaries and wages; restore the \$150,000 reduction to operating expenses; restore the \$30,000 reduction to equipment; combine the grants line items, restore the House reductions of \$590,000, and add \$40,000; reduce the Development Fund by \$250,000; and reduce Agricultural Products Utilization Commission by \$50,000, all from the general fund. The director may use the grants line item for funding to the regional economic development councils. The Agricultural Products Utilization Commission line item is reduced by \$100,000 from the agricultural fuel tax fund, and \$100,000 from this fund is appropriated to the Agricultural Products Utilization Commission in a separate section to be used for resolving beef industry trade issues.

These amendments also make the following changes:

- Increase the ethanol plant production incentives from \$1,500,000 to \$2,200,000.
- Increase the maximum production incentive that may be paid annually from \$750,000 to \$1,100,000.
- Extend the number of years that an ethanol plant may receive the incentives, if in operation before July 1, 1995, from seven in the engrossed bill to 12.
- Provide for contingent ethanol incentive payments of \$300,000 for a plant that becomes operational after July 1, 1995. An eligible plant may receive 10 cents per gallon of agriculturally derived fuel (equivalent 40 cents per gallon for 25 percent of production). (Section 14)
- Amend Section 4-14.1-03.1 regarding Agricultural Products Utilization Commission authority. (Section 10)
- Authorize Economic Development and Finance to establish a mutual fund capital pool. (Section 12)
- Provide for a Legislative Council study of economic development. (Section 15)
- Provide legislative intent regarding grants. (Sections 16 and 17)

Date: 4-1-99  
 Roll Call Vote #: 1

**1999 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. Engrossed HB 1019**

Senate APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number 98019.0210

Action Taken DO PASS

Motion Made By Senator GRINDBERG Seconded By Senator KRINGSTAD

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg		✓			
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac		✓			
Senator Robinson	✓				
Senator Krauter		✓			
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) ~~11~~ 11 No 3

Absent 0

Floor Assignment Senator \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 4-1-99  
 Roll Call Vote #: 1

**1999 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. Engrossed HB 1019**

Senate APPROPRIATIONS Committee

- Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

✓ Legislative Council Amendment Number 98019.0210

Action Taken DO PASS AS AMENDED

Motion Made By Senator Grindberg Seconded By Senator LINDAAS

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac		✓			
Senator Robinson	✓				
Senator Krauter		✓			
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Senator GRINDBERG

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1019, as engrossed: Appropriations Committee (Sen. Nething, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1019 was placed on the Sixth order on the calendar.**

Page 1, line 3, after the second semicolon insert "to authorize a mutual fund capital pool;"; after "sections" insert "4-14.1-03.1," and after "4-14.1-07" insert a comma

Page 1, line 4, after "to" insert "grant repayments and"

Page 1, line 5, after "purposes" insert "; to provide for a legislative council study; to provide legislative intent"

Page 1, line 13, replace "2,358,086" with "2,798,086"

Page 1, line 14, replace "2,008,447" with "2,158,447"

Page 1, line 15, replace "66,358" with "96,358"

Page 1, line 16, replace "1,078,061" with "2,308,061"

Page 1, remove line 17

Page 1, line 18, replace "800,000" with "550,000"

Page 1, line 19, replace "3,985,911" with "4,535,911"

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Page 1, line 21, replace "3,693,075" with "4,293,075"

Page 1, line 22, replace "7,203,788" with "8,153,788"

Page 1, after line 22, insert:

**"SECTION 2. APPROPRIATION.** There is hereby appropriated out of any moneys in the agricultural fuel tax fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agricultural products utilization commission for the purpose of obtaining assistance in resolving beef industry trade issues, for the biennium beginning July 1, 1999, and ending June 30, 2001. Notwithstanding any other provisions of law, the agricultural products utilization commission may use these funds to obtain the assistance of the ranchers and cattlemen action legal foundation."

Page 2, line 10, replace "\$1,507,000" with "\$2,207,000"

Page 2, line 12, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 10, replace "\$1,500,000" with "\$2,200,000"

Page 3, line 11, replace "\$750,000" with "\$1,100,000"

Page 3, line 16, replace "\$800,000" with "\$550,000"

Page 4, after line 6, insert:

**"SECTION 10. AMENDMENT.** Section 4-14.1-03.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.** The North Dakota agricultural products utilization commission may apply for, accept, and expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter. The commission may administer grant programs consistent with the purpose of this chapter including a basic and applied research grant program, utilization and marketing grant program, cooperative marketing grant program, farm diversification grant program, agricultural prototype development grant program, and a North American marketing grant program. The commission may require, by contract, repayment of a grant, in whole or in part, if the grant recipient does not fulfill the conditions under which the grant was awarded."

Page 4, line 14, replace "seven" with "twelve"

Page 4, line 21, after "million" insert "one hundred thousand"

Page 4, line 22, overstrike "ethanol plant that was in operation before July 1,"

Page 4, overstrike line 23

Page 4, line 24, overstrike "ethanol in the previous fiscal year and an"

Page 4, line 25, overstrike "are each" and insert immediately thereafter "is"

Page 4, after line 27, insert:

**"SECTION 12. MUTUAL FUND CAPITAL POOL - AUTHORIZATION.** The department of economic development and finance, in conjunction with the agricultural products utilization commission, may establish a mutual fund capital pool to attract farm and nonfarm investments in value-added processing projects."

Page 5, after line 16, insert:

**"SECTION 14. CONTINGENT ETHANOL INCENTIVE PAYMENTS.** In addition to the ethanol incentive payments provided in section 1 of this Act and not withstanding any other sections of law, there is hereby appropriated \$300,000, or so much of the sum as may be necessary, from the highway tax distribution fund for the biennium beginning July 1, 1999, and ending June 30, 2001, for the purpose of providing production incentives to any ethanol plant that becomes operational after July 1, 1999. An eligible plant is entitled to receive ten cents for each gallon of agriculturally derived fuel as defined in this Act produced in the state which is marketed by the producing plant to a distributor or wholesaler for sale within North Dakota.

**SECTION 15. LEGISLATIVE COUNCIL STUDY - ECONOMIC DEVELOPMENT AND FINANCE EFFORTS.** The legislative council shall consider studying during the 1999-2000 interim the economic development efforts in the state, including the provision of economic development services statewide and the related effectiveness, the potential for the privatization of the department of economic development and finance, and the appropriate location of the North Dakota development fund, including the potential transfer of the fund to the Bank of North Dakota.

**SECTION 16. LEGISLATIVE INTENT - GRANTS LINE ITEM.** It is the intent of the legislative assembly that \$150,000 of the grants line item in section 1 of this Act be available for the manufacturing technology partnership.

**SECTION 17. LEGISLATIVE INTENT - GRANT ALLOCATION - UNITED STATES DEPARTMENT OF AGRICULTURE DESIGNATED CHAMPION COMMUNITIES.** It is the intent of the legislative assembly that \$50,000 of the grants line item in section 1 of this Act be allocated to provide matching funds on a dollar-for-dollar basis to United States department of agriculture designated champion communities for the funding of an economic development coordinator employed by the champion communities to assist in economic development. Local matching funds may be in cash or in-kind contributions."

Page 5, line 17, replace "10" with "13"

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**DEPARTMENT 601 - DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE**

**SENATE - This amendment makes the following changes:**

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
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General allocation grants	750,000	600,000	(600,000)	
North Dakota Development Fund	1,000,000	800,000	(250,000)	550,000
Agricultural Products Utilization Commission	4,085,911	3,985,911	550,000	4,535,911
Separate section - APUC			100,000	100,000
<b>Total all funds</b>	<b>\$12,650,548</b>	<b>\$10,896,863</b>	<b>\$1,650,000</b>	<b>\$12,546,863</b>
Less special funds	<u>3,695,701</u>	<u>3,693,075</u>	<u>700,000</u>	<u>4,393,075</u>
General fund	\$8,954,847	\$7,203,788	\$950,000	\$8,153,788
FTE	29.00	26.00	0.00	26.00

Detail of Senate changes to the House version includes:

	RESTORE SALARIES AND WAGES	RESTORE OPERATING EXPENSES	RESTORE EQUIPMENT	COMBINE GRANTS AND INCREASE BY \$630,000	REDUCE DEVELOPMENT FUND	REDUCE AGRICULTURAL PRODUCTS UTILIZATION COMMISSION
Salaries and wages	\$440,000					
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Separate section - APUC						
<b>Total all funds</b>	<b>\$440,000</b>	<b>\$150,000</b>	<b>\$30,000</b>	<b>\$630,000</b>	<b>(\$250,000)</b>	<b>(\$150,000)</b>
Less special funds						<u>(100,000)</u>
General fund	\$440,000	\$150,000	\$30,000	\$630,000	(\$250,000)	(\$50,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

INCREASE APUC LINE ITEM TO PROVIDE \$2,200,000 OF ETHANOL	ADD FUNDING FOR RESOLVING BEEF INDUSTRY TRADE	TOTAL SENATE
-----------------------------------------------------------	-----------------------------------------------	--------------



	INCENTIVES	ISSUES	CHANGES
Salaries and wages			\$440,000
Operating expenses			150,000
Equipment			30,000
Grants			1,230,000
General allocation grants			(600,000)
North Dakota Development Fund			(250,000)
Agricultural Products Utilization Commission	\$700,000		550,000
Separate section - APUC		\$100,000	100,000
<b>Total all funds</b>	<b>\$700,000</b>	<b>\$100,000</b>	<b>\$1,650,000</b>
<b>Less special funds</b>	<b>700,000</b>	<b>100,000</b>	<b>700,000</b>
General fund	\$0	\$0	\$950,000
FTE	0.00	0.00	0.00

Senate changes narrative:

These amendments restore \$440,000 of the House reduction of \$650,000 to salaries and wages; restore the \$150,000 reduction to operating expenses; restore the \$30,000 reduction to equipment; combine the grants line items, restore the House reductions of \$590,000, and add \$40,000; reduce the Development Fund by \$250,000; and reduce Agricultural Products Utilization Commission by \$50,000, all from the general fund. The director may use the grants line item for funding to the regional economic development councils. The Agricultural Products Utilization Commission line item is reduced by \$100,000 from the agricultural fuel tax fund, and \$100,000 from this fund is appropriated to the Agricultural Products Utilization Commission in a separate section to be used for resolving beef industry trade issues.

These amendments also make the following changes:

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- Increase the maximum production incentive that may be paid annually from \$750,000 to \$1,100,000.
- Extend the number of years that an ethanol plant may receive the incentives, if in operation before July 1, 1995, from seven in the engrossed bill to 12.
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- Amend Section 4-14.1-03.1 regarding Agricultural Products Utilization Commission authority. (Section 10)
- Authorize Economic Development and Finance to establish a mutual fund capital pool. (Section 12)
- Provide for a Legislative Council study of economic development. (Section 15)
- Provide legislative intent regarding grants. (Sections 16 and 17)

**1999 HOUSE APPROPRIATIONS**

**CONFERENCE COMMITTEE**

**HB 1019**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1019

House Appropriations Committee

Conference Committee

Hearing Date April 8, 1999

Tape Number	Side A	Side B	Meter #
1		x	0-18.5
Committee Clerk Signature <i>Roxanne Hone</i>			

Minutes:

Chairman Poolman opened the discussion on House Bill 1019.

**1A: .4 Senator Grindberg** explained changes/differences Senate made to House Bill 1019.

**1A: 3.0 Rep. Poolman** asked what is the Manufacturing Technology Partnership. **Senator Grindberg** said it is a group and has its own private board of manufacturers, industry, and university officials. They work with manufacturers and new products and new technology. **Rep. Poolman** asked for an explanation Section 17, the Ag designated champion communities. Don't we have regional council folk that cover those communities anyways? **Senator Grindberg** said I believe in this particular region things are pretty lean as far as any abilities and I'm not sure if the regional councils are directly involved. **Rep. Poolman** asked if the regional council have the ability to provide for the matching dollars, dollar for dollar. **Senator Grindberg** said that never came up in the Senate.

**1A: 7.3 Rep. Poolman** asked why is there \$300,000 left in the TTI program. **Senator Grindberg** said the question was never asked, but know it has not been used and is available.

**1A: 14.5 Rep. Gulleon** asked about the proposal for the changing of funding in RCALF. **Rep. Poolman** said in the original appropriations committee there was probably not support for funding RCALF from the Majority out of general funds and out of APUC either. I have the attorney generals opinion that stated that the problems with APUC without the language changes. The amendments that the Senate passed makes it legal with the language so to speak. There is a feeling among the Majority in the House that APUC is not the right answer to fund RCALF. I would like to examine that and look for a different funding source.

**Page 2**

**House Appropriations Committee**

**Bill/Resolution Number 1019**

**Hearing Date April 8, 1999**

**1A: 16.7 Senator Tallackson** said he received some information that ADM operates four ethanol plants besides the ones in North Dakota. They don't get incentives in any other of the states. Their sales last year were \$16 billion dollars with a profit of \$403 million. Will make the information available to the conference committee.

The meeting adjourned.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1019

House Appropriations Committee

Conference Committee

Hearing Date April 12, 1999

Tape Number	Side A	Side B	Meter #
1	x		11.3-23.3
Committee Clerk Signature <i>Roxanne Stone</i>			

Minutes:

Chairman Pullman opened the Conference Committee on House Bill 1019.

**1A: 11.6 Rep. Pullman** presented amendment 98019.0217 to committee: what these amendments do from the Senate version, they reduce the salaries and wages by \$440,000 that goes back to the House version on salaries. Reduces the Senate version on operating expenses by \$60,000 which is basically \$90,000 higher than the House version. Grants reduced by \$440,000 which is a \$790,000 dollar add back from the House version. Basically that is because of lumping two line items together. It reduces the ethanol incentive back to the House version. It eliminates the CALF section. It is the understanding that is going to go on another bill but apparently there might be problems with that. Senator Nadine is comparing one Conference Committee to another so we are potentially going to have problems with that. Also, the amendments remove ED & F from the central personnel.

**1A: 13.7 Senator Grind berg** said there were five applications a year or year and a half ago for Rural Empowerment Zones. One was chosen and four were turned down. This request would allow them to go back and access federal money for four cities and employ a coordinator for rural development purposes: Hettinger, Bowman, Rugby, and Crosby. It would allow them to put a strategic plan in place for those communities to access Rural Development Empowerment Zones that were set up by Congress here a year or two ago. They have not worked with the Regional Councils. The grant line item at the Executive level was \$1.5 million that it is money for grants for local development corporations, marketing, etc. The general allocation grant line item that we have now lumped into grants that's where the deal making is. The local development corporation will approach the director and say can we put \$50,000 into this project.

**1A: 14.9 Rep. Pullman** said but Senator Grind berg once that is lumped together all of that money in that particular line item is discretionary to the director. **Senator Grind berg** said right.

**Rep. Pullman** asked can all of that money if the director wanted to use that as deal making money. **Senator Grind berg** said I am working on language that will pull together the things that are presently going on with those grant lines and bring focus to them.

**1A: 15.5 Senator Tallackson** said Mr. Chairman could you walk me through those ethanol changes. **Rep. Poolman** said all my amendment does is reduce the level of funding back to the House version with the understanding with the passage of the RACK tax bill that some of the savings approximately the same amount of savings or the same amount that was taken out here goes back in under savings in the RACK tax. **Senator Tallackson** said wouldn't it be better if kept the appropriation the same and use RACK tax to fund the Highway Department. Wouldn't that be a lot more palatable to some people? **Rep. Pullman** said I don't think that is palatable to our leadership. **Senator Tallackson** asked is the ADM still in here. **Rep. Pullman** said yes I did not making any changes to the ADM portion of this thing. I figured that was a committee point that we could discuss and will take motions on that if you wish. You may make a separate amendment to eliminate ADM when we get to that.

**1A: 18.3 Rep. Carlisle** moved to adopt the amendment. **Rep. Gulleson** seconded the motion.

**1A: 18.6 Senator Grind berg** said as you probably know I am not going to support these amendments for a number of different reasons. One of them is the CALF situation and there are some things that need to be worked out here as we move towards adjournment. **Rep. Pullman** said another opportunity with this CALF thing is the CALF money can be put in the OMB budget also. The intention was that the CALF money was going to come out of Ag Pace roll up money that was not used in this particular biennium. It was going to be attached to the Ag budget and the Agriculture Commissioner could distribute those dollars to the necessary folks for our participation in CALF. **Senator Nadine** says that is not part of the differences between the House and the Senate. And that argument was used in another Conference Committee in the Attorney Generals budget and so even though he believes in CALF and that it needs to be funded is not taking the motion over there on that Conference Committee. I perfectly understand your concern with the CALF money here and if we need to make that particular part of this amendment of using the roll up dollars in Ag Pace out of this and put it into this budget and allow Kevin Cramer to distribute those dollars that is fine. I don't have any problem with that what so ever. If that is what we have to do to get **Senator Nadine** off the hook that is fine. It is the feeling of the House that those APUC dollars shouldn't be used anyways. So if this motion passes we are going to have to accept the motion to further amend on other points made. We can accept one on the Ag Pace dollars to fund CALF.

**1A: 20.9 Senator Tallackson** said what I'd like to do as far as ethanol is concerned is go back to the Senate amendments. If the deal is that we have to reduce the amount to 1.5 we could do that. **Rep. Pullman** said it goes back to the House version amount and if you want to propose language change and your goal is obviously to get ADM out of the ethanol subsidy we sure can take that motion also. And we are not going to get this deal done today.

**Page 3**

**House Appropriations Committee**

**Bill/Resolution Number 1019**

**Hearing Date April 12, 1999**

**1A: 22.6 on a ROLL CALL VOTE the motion failed, 4 voting YES, 2 voting NO.**

**Rep. Pullman: YES**

**Rep. Carlisle: YES**

**Rep. Gulleason: YES**

**Sen. Grind berg: NO**

**Sen. Kringstad: NO**

**Sen. Tallackson: YES**

**The meeting adjourned.**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1019

House Appropriations Committee

Conference Committee

Hearing Date April 13, 1999

Tape Number	Side A	Side B	Meter #
1	x		26.0-37.7
Committee Clerk Signature <i>Roxanne Kone</i>			

Minutes:

Chairman Poolman opened the discussion on House Bill 1019.

**1A: 26.0 Rep. Poolman** presented amendment 98019.0219. Said the only difference between the original amendment I had proposed and these are a change in the RCALF money and we added section 16 and 17 which is the Ag money and manufacturing money.

**1A: 28.3 Senator Grindberg** said the amendments go a bit too far. But I am working on amendments this afternoon that will do the following: reduce the salary/wages by \$250,000 from the Senate version and the agency would then be at 23 FTES. They are presently at 29 and the House had cut that at 26. And then declassify them from central personnel. It would reduce their grant line item by \$25,000 and add intent language to restrict regional council funding. It would keep RCALF with APUC. The Walhalla plant is out and it would keep discussion open to the Grand Forks project if it is built. If the regional councils did not receive that \$440,000, I think the agency could make use of those dollars in other projects.

**1A: 31.3 Senator Tallackson** asked about the regional councils. **Senator Grindberg** said the language I am preparing would restrict them from any funding from the department.

**1A: 33.5 Rep. Poolman** said we are \$565,000 apart between our amendments.

**1A: 34.9 Senator Tallackson** said the only thing I don't like about it is the regional council. We have a very effective regional council in our area. Nothing starts without going through him. I would be interested in funding them in some way. **Rep. Poolman** said you and I have the same regional council and in doing some research when this particular bill was over here. The \$55,000 per regional council is basically for administrative expenses. And since our regional council is active and does a lot of contracts. They all receive administrative expenses off of contracts and



**Page 2**

**House Appropriations Committee**

**Bill/Resolution Number 1019**

**Hearing Date April 13, 1999**

other sources of funding. In the purpose of that we were trying to get our arms around all the different dollars and sources that go to regional councils. They will survive and continue to do good work regardless if they get that small pittance from state government. In fact, I think two of them have been prohibited from doing work with state government. So the good ones will continue to survive and do good work for the state.

The meeting adjourned.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1019

House Appropriations Committee

Conference Committee

Hearing Date April 14, 1999

Tape Number	Side A	Side B	Meter #
1		x	0-17.1
Committee Clerk Signature <i>Roxanne Kane</i>			

Minutes:

Chairman Poolman opened the Conference Committee on House Bill 1019.

**1B: 2.1 Rep. Guleson** asked in the RCALF/APUC is that coming out of what is left over from this biennium dollars. **Kevin Cramer** said it would be the same money.

**1B: 2.4 Senator Tallackson** said with what has happened in the last day with the RACK tax have you considered putting that additional \$500,000 in this bill. **Rep. Poolman** said the House is floating some other proposals on that particular bill that would still find savings that is not actually a RACK tax. I have a confirmed commitment from leadership.

**1B: 4.3 Senator Grindberg** said he is in support of the \$500,000 because the focus has always been one plant and one new one may built. I do work in the field of economic development. There is a study resolution in these amendments as well and I hope when we are back here in two years that we are all much more informed about the activities that the department has. I know the effort is going in the right process to focus purely on economic development. And let community development go to other parts. I'm comfortable with declassifying the agency and letting them be more flexible. Rep. Poolman further commented and agreed with Senator Grindberg's comments. Further discussion with Kevin Cramer regarding focus and direction.

The meeting adjourned until the afternoon.

**1B: 10.3** The committee readjourned and discussed Senator Grindberg's amendments. On a Roll Call Vote the House acceded to the Senate amendments.

The meeting adjourned.

(Bill Number) 1019 (, as (re)engrossed):

Your Conference Committee

For the Senate:			For the House:		
vote 1	vote 2	vote 3	vote 3	vote 1	vote 2
X	Y	XX	Y	Y	Y
XX	POOLMAN		XXX	GRINDBERG	N
X	Y	XX	Y	Y	Y
XX	CARLISLE		XXX	KRINGSTAD	N
X	Y	XX	Y	Y	Y
XX	GULLESON		XXX	TALLACKSON	N

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from) the (Senate/House) amendments on (SJ/HJ) page(s) 1210 - 1212

and place 1019 on the Seventh order.

, adopt (further) amendments as follows, and place \_\_\_\_\_ on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) \_\_\_\_\_ was placed on the Seventh order of business on the calendar.

DATE: \_\_\_/\_\_\_/\_\_\_

CARRIER: \_\_\_\_\_

LC NO. \_\_\_\_\_ of amendment

LC NO. \_\_\_\_\_ of engrossment

Emergency clause added or deleted \_\_\_\_\_

Statement of purpose of amendment \_\_\_\_\_

(1) LC (2) LC (3) DESK (4) COMM.

**REPORT OF CONFERENCE COMMITTEE**

**HB 1019, as engrossed:** Your conference committee (Sens. Grindberg, Kringstad, Tallackson and Reps. Poolman, Carlisle, Gulleson) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1078-1080, adopt amendments as follows, and place HB 1019 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1210-1212 of the House Journal and pages 1078-1080 of the Senate Journal and that Engrossed House Bill No. 1019 be amended as follows:

Page 1, line 3, after the second semicolon insert "to authorize a mutual fund capital pool; to create and enact a new subsection to section 54-44.3-20 of the North Dakota Century Code, relating to excepting officers and employees of the department of economic development and finance from the state classified service;"; after "sections" insert "4-14.1-03.1," and after "4-14.1-07" insert a comma

Page 1, line 4, after "to" insert "grant repayments and"

Page 1, line 5, after "purposes" insert "; to provide for a legislative council study; to provide legislative intent"

Page 1, line 13, replace "2,358,086" with "2,548,086"

Page 1, line 14, replace "2,008,447" with "2,158,447"

Page 1, line 15, replace "66,358" with "96,358"

Page 1, line 16, replace "1,078,061" with "1,968,061"

Page 1, remove line 17

Page 1, line 18, replace "800,000" with "750,000"

Page 1, line 20, replace "10,896,863" with "11,506,863"

Page 1, line 22, replace "7,203,788" with "7,813,788"

Page 1, after line 22, insert:

**"SECTION 2. APPROPRIATION.** There is hereby appropriated out of any moneys in the agricultural fuel tax fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agricultural products utilization commission for the purpose of obtaining assistance in resolving beef industry trade issues, for the biennium beginning July 1, 1999, and ending June 30, 2001. Notwithstanding any other provisions of law, the agricultural products utilization commission may use these funds to obtain the assistance of the ranchers and cattlemen action legal foundation."

Page 3, line 16, replace "\$800,000" with "\$750,000"

Page 4, after line 6, insert:

**"SECTION 10. AMENDMENT.** Section 4-14.1-03.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.** The North Dakota agricultural products utilization commission may apply for, accept, and

expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter. The commission may administer grant programs consistent with the purpose of this chapter including a basic and applied research grant program, utilization and marketing grant program, cooperative marketing grant program, farm diversification grant program, agricultural prototype development grant program, and a North American marketing grant program. The commission may require, by contract, repayment of a grant, in whole or in part, if the grant recipient does not fulfill the conditions under which the grant was awarded."

Page 4, line 14, replace "seven" with "twelve"

Page 4, line 21, overstrike "one million" and insert immediately thereafter "seven hundred fifty thousand"

Page 4, line 22, overstrike "An ethanol plant that was in operation before July 1,"

Page 4, overstrike lines 23 through 27

Page 4, after line 27, insert:

**"SECTION 12.** A new subsection to section 54-44.3-20 of the 1997 Supplement to the North Dakota Century Code is created and enacted as follows:

Officers and employees of the department of economic development and finance."

Page 5, after line 16, insert:

**"SECTION 14. MUTUAL FUND CAPITAL POOL - AUTHORIZATION.** The department of economic development and finance, in conjunction with the agricultural products utilization commission, may establish a mutual fund capital pool to attract farm and nonfarm investments in value-added processing projects.

**SECTION 15. APPROPRIATION - CONTINGENT ETHANOL INCENTIVE PAYMENTS.** In addition to the ethanol incentive payments provided in section 1 of this Act and notwithstanding any other sections of law, there is hereby appropriated \$300,000, or so much of the sum as may be necessary, from the highway tax distribution fund for the biennium beginning July 1, 1999, and ending June 30, 2001, for the purpose of providing production incentives to any ethanol plant that becomes operational after July 1, 1999. An eligible plant shall receive ten cents for each gallon of agriculturally derived fuel as defined in this Act produced in the state which is marketed by the producing plant to a distributor or wholesaler for sale within North Dakota.

**SECTION 16. LEGISLATIVE COUNCIL STUDY - ECONOMIC DEVELOPMENT AND FINANCE EFFORTS.** The legislative council shall consider studying during the 1999-2000 interim the economic development efforts in the state, including the provision of economic development services statewide and the related effectiveness, the potential for the privatization of the department of economic development and finance, and the appropriate location of the North Dakota development fund, including the potential transfer of the fund to the Bank of North Dakota.

**SECTION 17. LEGISLATIVE INTENT - GRANT ALLOCATION - UNITED STATES DEPARTMENT OF AGRICULTURE DESIGNATED CHAMPION COMMUNITIES.** It is the intent of the legislative assembly that \$50,000 of the grants line item in section 1 of this Act be allocated to provide matching funds on a

dollar-for-dollar basis to United States department of agriculture designated champion communities for the funding of an economic development coordinator employed by the champion communities to assist in economic development. Local matching funds may be in cash or in-kind contributions.

**SECTION 18. LEGISLATIVE INTENT - GRANTS LINE ITEM.** It is the intent of the legislative assembly that \$150,000 of the grants line item in section 1 of this Act be available for the manufacturing technology partnership."

Page 5, line 17, replace "10" with "13"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**DEPARTMENT 601 - DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE**

**CONFERENCE COMMITTEE - This amendment makes the following changes:**

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	CONFERENCE COMPARISON TO SENATE VERSION
Salaries and wages	\$3,041,771	\$2,358,086	\$190,000	\$2,548,086	\$2,798,086	(\$250,000)
Operating expenses	2,158,447	2,008,447	150,000	2,158,447	2,158,447	
Equipment	96,358	66,358	30,000	96,358	96,358	
Grants	1,518,061	1,078,061	890,000	1,968,061	2,308,061	(340,000)
General allocation grants	750,000	600,000	(600,000)			
North Dakota Development Fund	1,000,000	800,000	(50,000)	750,000	550,000	200,000
Agricultural Products Utilization Comm.	4,085,911	3,985,911		3,985,911	4,535,911	(550,000)
Separate section resolving beef trade issues			100,000	100,000	100,000	
<b>Total all funds</b>	<b>\$12,650,548</b>	<b>\$10,896,863</b>	<b>\$710,000</b>	<b>\$11,606,863</b>	<b>\$12,546,863</b>	<b>(\$940,000)</b>
<b>Less special funds</b>	<b>3,695,701</b>	<b>3,693,075</b>	<b>100,000</b>	<b>3,793,075</b>	<b>4,393,075</b>	<b>(600,000)</b>
<b>General fund</b>	<b>\$8,954,847</b>	<b>\$7,203,788</b>	<b>\$610,000</b>	<b>\$7,813,788</b>	<b>\$8,153,788</b>	<b>(\$340,000)</b>
FTE	29.00	26.00	(3.00)	23.00	26.00	(3.00)

Detail of Conference Committee changes to the House version includes:

	RESTORE OPERATING EXPENSES	RESTORE EQUIPMENT	COMBINE GRANTS AND INCREASE BY \$290,000	REDUCE DEVELOPMENT FUND	ADD FUNDING FOR RESOLVING BEEF TRADE ISSUES	RESTORE SALARIES AND WAGES
Salaries and wages						\$190,000
Operating expenses	\$150,000					
Equipment		\$30,000				
Grants			\$890,000			
General allocation grants			(600,000)			
North Dakota Development Fund				(\$50,000)		
Agricultural Products Utilization Comm.						
Separate section resolving beef trade issues					\$100,000	
<b>Total all funds</b>	<b>\$150,000</b>	<b>\$30,000</b>	<b>\$290,000</b>	<b>(\$50,000)</b>	<b>\$100,000</b>	<b>\$190,000</b>
<b>Less special funds</b>					<b>100,000</b>	
<b>General fund</b>	<b>\$150,000</b>	<b>\$30,000</b>	<b>\$290,000</b>	<b>(\$50,000)</b>	<b>\$0</b>	<b>\$190,000</b>
FTE	0.00	0.00	0.0	0.00	0.00	(3.00)

	<b>TOTAL CONFERENCE COMMITTEE CHANGES</b>
Salaries and wages	\$190,000
Operating expenses	150,000
Equipment	30,000
Grants	890,000
General allocation grants	(600,000)
North Dakota Development Fund	(50,000)
Agricultural Products Utilization Comm.	-
Separate section resolving beef trade issues	100,000
<b>Total all funds</b>	<b>\$710,000</b>
<b>Less special funds</b>	<b>100,000</b>
<b>General fund</b>	<b>\$610,000</b>
FTE	(3.00)

**CONFERENCE COMMITTEE - These amendments also make the following changes to Engrossed House Bill No. 1019:**

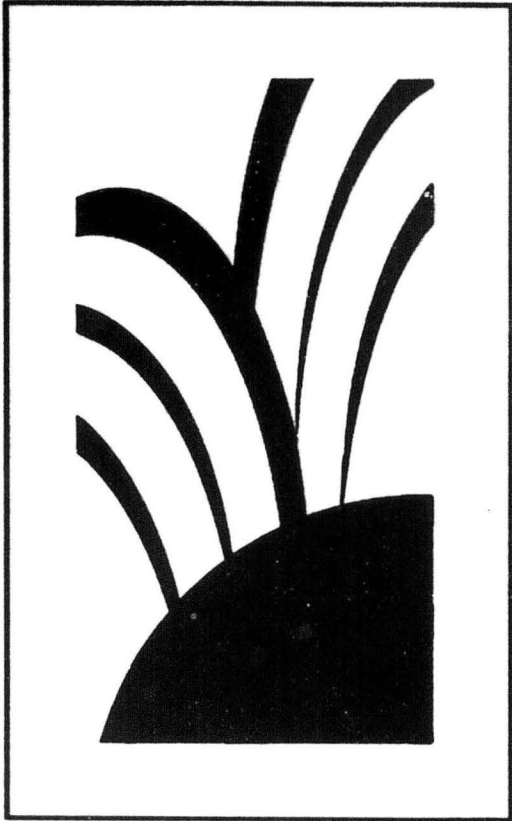
- **Extend the number of years that an ethanol plant may receive the incentives, if in operation before July 1, 1995, from seven in the engrossed bill to 12.**
- **Adjust the maximum production incentive that may be paid annually to \$750,000.**
- **Provide for contingent ethanol incentive payments of \$300,000 for a plant that becomes operational after July 1, 1999. An eligible plant may receive 10 cents per gallon of agriculturally derived fuel (equivalent 40 cents per gallon for 25 percent of production). (Section 11)**
- **Provide in Section 2 \$100,000 from the agricultural fuel tax fund for resolving beef trade issues.**
- **Authorize mutual fund capital pool.**
- **Allow Economic Development and Finance employees to be exempt from central personnel system.**
- **Provide for a Legislative Council study of Economic Development and Finance.**
- **Provide legislative intent regarding funds for United States Department of Agriculture champion communities and the grants line item.**

**Engrossed HB 1019 was placed on the Seventh order of business on the calendar.**

**1999 TESTIMONY**

**HB 1019**





**GROWING**  
North Dakota  

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**Economic Development and Finance**

**Testimony of Kevin Cramer  
Director of Economic Development and Finance  
Government Operations Division of Appropriations Committee  
House Bill 1019  
January 13, 1999**

**Good Morning Mr. Chairman and members of the committee. I am Kevin Cramer, director of the North Dakota Department of Economic Development and Finance and I rise in support of House Bill 1019. House Bill 1019 is the governor's recommended budget for ED&F.**

**This budget is more than a number of dollars to run a state agency, more importantly it reflects an entire reorganization of the agency and the priorities of economic development for North Dakota.**

**Let me begin by giving a brief history of events that bring us to this new structure at ED&F.**

**We are all familiar with the Vision 2000 process of the late '80s that led to the Growing North Dakota programs of the '90s. These programs have been the fundamental economic development tools for our state through this decade.**

**As we suffer through a very serious downturn in our agriculture economy, I am reminded of the challenges we faced as a state during the mid 1980s. Year after year of drought and low commodity prices led to a credit crisis on the farm, highlighting just how vulnerable our one-dimensional economy was.**

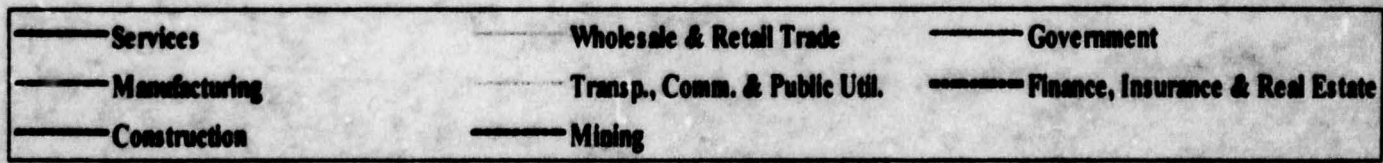
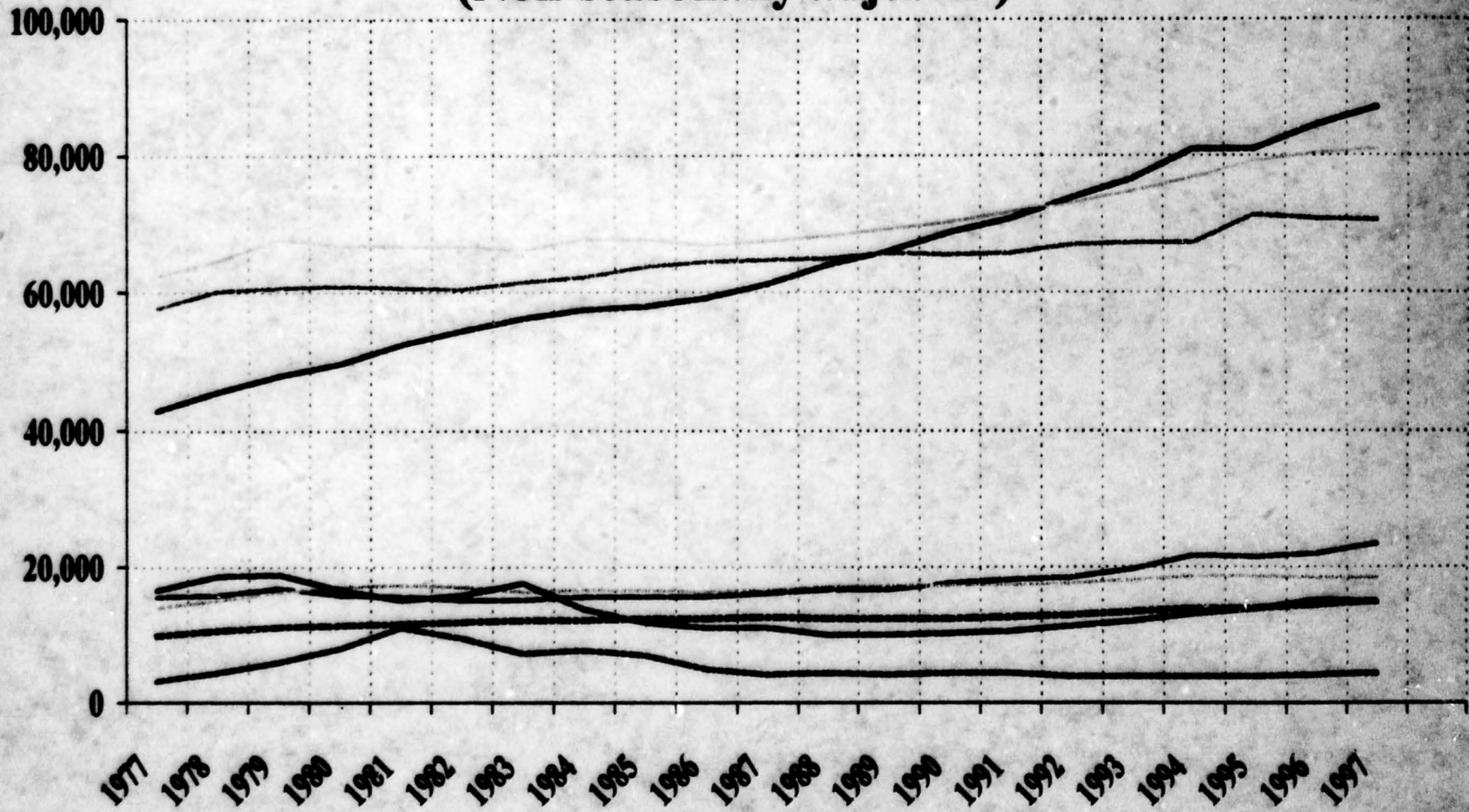
**The farsighted vision of the state's leaders at the time resulted in a clear direction for our state.**

**Economic development programs were created to help diversify our economy. Many of the programs were to be housed at the state's economic development agency and the North Dakota Department of Economic Development and Finance was created. And, with a few minor changes and some relocating of programs, Growing North Dakota has primarily remained the same as designed.**

**While the state was implementing the Growing North Dakota programs local communities were developing their own tools for creating jobs. Local Development Corporations and Jobs Development Authorities were springing up all across the state. Local taxes were being earmarked to support economic development efforts by professionals and volunteers alike.**

**The result of this flurry of economic development activity at all levels has been about 36,000 new jobs for our state in the last six years. That in turn has contributed to record low unemployment. That, in a nutshell, Mr. Chairman, brings us to where we are today. (The next page illustrates the growth in non-ag employment in the state since 1977)**

# North Dakota Non-Ag Annual Avg. Employment (Non-seasonally adjusted)



Source: Bureau of Labor Statistics

**Can you imagine where we would be today as a state without the diversity that this chart represents? Leaders recognized our vulnerability and did something about it.**

**With all of this good economic development activity, created mainly by local folks with the state playing a supportive role, comes new challenges. And just as the governor said in his state of the state address and Democrat legislative leaders echoed in response, not all of the news is good.**

**North Dakota is below the national rate in personal income per capita, we're experiencing population decline. Our productivity index is 75%, while South Dakota's is 85%. Our gross state product is 30% smaller than South Dakota's. And we have one of the highest rates in the nation of families with both parents working.**

**While our economy has diversified in recent years, we are still very dependent on production agriculture. Our state's revenues have been able to maintain and grow even when prices of commodities have dropped; however we cannot simply sit back and see where fate takes us.**

**Napoleon once said, "The logical conclusion of defense is defeat". We must be aggressive in the competitive environment of economic development. We must take the offensive position and determine our own destiny.**

**That requires leadership, teamwork, partnerships, creative thinking, cooperation, a common vision and a strategy to see that vision become reality.**

**That is why two years ago Director Stroup began the Enhancing Growing North Dakota process. With the help of two of the largest and most reputable business-consulting firms in the world, Arthur Andersen and Fluor Daniel, the agency set out to review our strengths and weaknesses. Corporate leaders from North Dakota companies, multinational companies with North Dakota divisions, and companies who considered North Dakota for investment but declined making such an investment were all interviewed. The goal was to gauge perceived and real strengths and weaknesses and to identify opportunities for new investment in our state.**

**Simultaneous with the business visitation phase, the consultants were working on a target industry study. By matching national and global investment opportunities with North Dakota's capacity, general and specific targets were identified. These targets allow us to be more efficient with our public investment dollars. The process of validating and updating targets is ongoing.**

**Following the business visitation phase of the process, we held nine regional meetings involving over 700 North Dakotans. The majority of the participants were private sector business leaders but also included public leaders. The purpose of the meetings was again to gauge strengths and weaknesses, and to identify solutions to challenges. The process also identified the agency or organization responsible for carrying out the solution.**

**This self-analysis is where I joined the agency as its director. It was a little like baptism by submersion.**

**This information gathering process has given us an incredible database to work from. It is the basis for the strategic plan, which we recently completed, and represents the fifth phase of a seven phase visioning process. The last two phases are implementation of the plan and of course ongoing evaluation and adjusting.**

**As we review the budget priorities outlined in our request it is a good opportunity to also present the organizational chart. These two documents along with the strategic plan which we have included in your packet of information and the Basic Steps to Economic Development document demonstrate the depth of detail and thought and science that goes into ED&F's service to the citizens of North Dakota.**

**Let me say at this point, that traditional economic development rhetoric often refers to jobs creation. As I pointed out earlier in my testimony, 36,000 jobs have been created in North Dakota in the past few years. Although creating jobs continues to be an important part of economic development activity, I like to focus on something far more important, and that is creating wealth. We must focus on raising our per capita income. We need to not just create jobs but improve the standard of living for all North Dakotans. The basic test of an economic development plan should not be how many jobs are created but rather should be the measure of financial success of the citizens it is intended to serve.**

**Under the Growing North Dakota model ED&F was a house of many programs. Under the Enhanced Growing North Dakota model ED&F is a facilitator of shared principles of development that lead to successful investment outcomes.**

**The basic steps that lead to successful investment outcomes that improve our standard of living provide the framework for our agency organization. The organization of the agency along with the relationship with other service providers is designed to provide a menu of services to local communities, other agencies and business clients.**

**As we look at our budget lines, I will refer to the organizational chart so you can see where the services exist within the agency or with partner service providers.**



**GROWING**  
North Dakota

# North Dakota Department of Economic Development & Finance Organizational Chart

Education - Collaboration - Research - Strategic Planning - Opportunity Generation - Closing

**Funding & Financial Services**

- Development & Rural Fund
- Chief Executive Officer
- Development & Rural Fund Staff
- Development & Rural Fund Board
- Agricultural Products Utilization Commission
- Director
- APUC Board

## Business & Workforce Development

Coordinator

Project Management Staff

International Development  
Service Providers

Workforce Development Director  
ND Workforce Development Council

## Research & Intelligence

Coordinator

Research & Intelligence Staff

Service Providers

## State & Local Development

Education & Collaboration Coordinator  
Steering Committee

Rural Development Director  
North Dakota Rural Development Council  
Service Providers

Resource management systems and overlapping functions

## Administration & Support

Coordinator

Administrative & Support Staff

Information Technology

Interns, Temporary Help, Outside Agency Support

## Agency & State Coordination

Agency Director

Deputy Director

Communications/Marketing Coordinator

Directors Action Team

State Partners and Stakeholders

Team North Dakota

<b>Project #</b>	<b>Project Title</b>	<b>Basic Research</b>	<b>Marketing</b>	<b>Coop Marketing</b>	<b>Farm Diversification</b>	<b>Prototype Development</b>
06600-01	Pride of Dakota		20,000.00			
06600-02	MonDak Durum			26,600.00		
06600-03	Wheat Based Coating		10,200.00			
06600-04	Agri-Board			25,000.00		
06600-05	Dehydrated Veggies.	10,000.00				
06600-06	Dried Florals		3,000.00			
06600-07	Supermale Tilapia	7,000.00				
06600-08	Red Claw Lobster	5,000.00				
06600-09	Heart of the Valley		13,375.00			
06600-10	Selenium Beef	21,000.00				
06600-11	Elk - Walls				5,000.00	
06600-12	7 <sup>th</sup> Generation Bison Coop.				5,000.00	
06600-13	Golden Fields				4,800.00	
06600-14	Dakota Dairy Coop, Lakota			29,500.00		
06600-15	RR Valley Carrot	20,000.00				
06600-16	Bison Products	18,000.00				
06600-17	Great Plains Grains III		12,000.00			
06600-18	Prairie Gold Foods				4,800.00	
06600-19	Bandy Technology					25,000.00

<b>Project #</b>	<b>Project Title</b>	<b>Basic Research</b>	<b>Marketing</b>	<b>Coop Marketing</b>	<b>Farm Diversification</b>	<b>Prototype Development</b>
06600-20	Williston Irrigation	80,000.00				
06600-21	Soil Fertility/Carrots	10,000.00				
06600-22	MAP 1998		10,000.00			
06600-23	AgGrow OilsIII		50,000.00			
06600-24	HVICTF VII		10,000.00			
06600-25	Dakota Dairy Specialties II		46,462.50			
06600-26	Flax Erosion Mats	8,690.00				
06600-27	Consolidated Strawboard					
06600-28	Pre-cut Fresh Salad Market	27,300.00				
06600-29	Branded Meat Products		32,750.00			
06600-30	Scab Research	40,000.00				
06600-31	Carlisle Dairy		19,215.00			
06600-32	ND Dairy Industry		54,500.00			
06600-33	Farmers Union Feedlot			40,000.00		
06600-34	Coriander				5,000.00	
06600-35	Hoselton Reindeer				5,000.00	



<b>Project #</b>	<b>Project Title</b>	<b>Basic Research</b>	<b>Marketing</b>	<b>Coop Marketing</b>	<b>Farm Diversification</b>	<b>Prototype Development</b>
06600-36	Nelson Fish Farm				5,000.00	
06600-37	7 Point Elk				5,000.00	
06600-38	Flax Straw Blanket II	30,000.00				
06600-39	Montola Growers			52,744.00		
06600-40	Spiritwood Dairy				10,000.00	
06600-41	Field Pea Inclusion	35,400.00				
06600-42	Prairie Pasta			120,000.00		
06600-43	Schultz Creamery		\$70,000.00			
06600-44	American Dairy		\$62,000.00			
06600-45	Beef Quality Assurance		\$19,500.00			
06600-46	Food Processing Feasibility Study	\$25,000.00				
06600-47	Market Development & Testing		\$30,000.00			
06600-48	Branded Meat Initiative			\$48,485.00		

<b>Project #</b>	<b>Project Title</b>	<b>Basic Research</b>	<b>Marketing</b>	<b>Coop Marketing</b>	<b>Farm Diversification</b>	<b>Prototype Development</b>
06600-49	Aifalfa New Products Initiative		\$20,000.00			
06600-50	Horse Head Irrigation	\$35,000.00				
06600-51	Nelson Elk Boarding				\$5,000.00	
	<b>Totals</b>	<b>\$372,390.00</b>	<b>\$483,002.50</b>	<b>\$342,329.00</b>	<b>\$54,600.00</b>	<b>\$25,000.00</b>

## EXECUTIVE SUMMARY

### ED&F AND ITS SERVICES

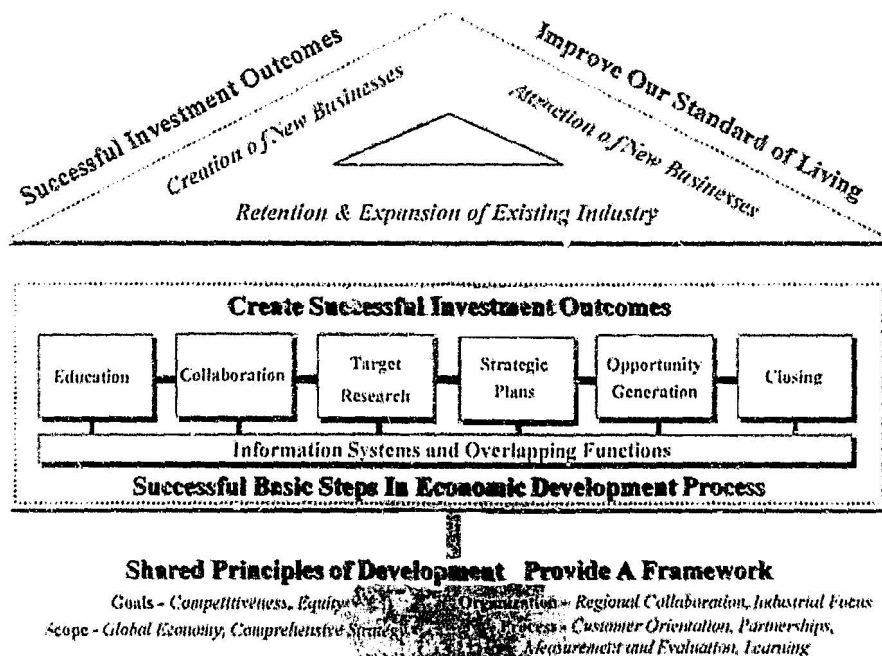
North Dakota Department of Economic Development & Finance (ED&F) provides resources and services to assist in the economic development of North Dakota. Our current *draft* Mission Statement is: ED&F leads the state's economic development effort (guided by shared principles) and provides resources and services (applied to basic steps of development) to assist local efforts in the creation of targeted private sector investment outcomes which will improve the standard of living for all North Dakotans.

ED&F is currently undergoing a restructuring process. During 1997 several regional workshops were held throughout North Dakota. This was part of the Enhancement to Growing North Dakota (EGND) project. This project was used to help create a plan for the future, to better utilize current state resources and improve future opportunities.

Economic development has been and will continue to change. ED&F is working to better position itself to help economic development groups and local leaders adapt and take advantage of these changes. Weaknesses must be identified and improved plus North Dakota's strengths must be marketed. This will be accomplished through collaboration, communication, cooperation and coordination of efforts among state, local economic development groups and local leadership.

ED&F is structuring its activities, positioning work inside and outside the agency, measuring performance and increasing client satisfaction through the use of *Basic Steps*. This is a working document that provides common points of reference for employees, developers and others.

## BASIC STEPS



**ED&F is made up of several programs. Some of these programs are housed at ED&F and others are housed outside the agency.**

**North Dakota Agricultural Products Utilization Commission (APUC) is housed at ED&F. Their mission statement is: The mission of the Agricultural Products Utilization Commission is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. They achieve this goal through the administration of a grant program.**

**There are four grants covered in this program:**

- **Basic and Applied Research Grants;**
- **Marketing & Utilization Grants;**
- **Cooperative Marketing Grants; and**
- **Farm Diversification Grants.**

**The North Dakota Development Fund is housed at ED&F. They provide gap financing for primary sector business expanding or relocating in the state. Their types of investment include equity, debt and other forms of innovative financing.**

**The North Dakota Rural Development Council is also housed at ED&F. This program is charged with:**

- **Develop broad-based collaborative relationships among federal, state, local, and tribal governments, private and non-profit organizations at the state level;**
- **Fostering and facilitating innovative strategic approaches to rural development on all levels of government and within private sector;**
- **Ensuring that the benefits of rural development are widely shared among all rural citizens; and**
- **Identifying, resolving or eliminating intergovernment and interagency impediments that hinders effective rural development efforts.**

**Technology Transfer, Inc. (TTI) provides leadership and funding to bring new technology developed in North Dakota to the marketplace. This program is a source for high-risk research and development funds. TTI also serves as a liaison between ED&F, the North Dakota University System and entrepreneurs and manufacturers.**

**North Dakota Workforce Development Council (WDC) is also housed at ED&F. It was organized under the provisions of the Job Training Partnership Act (JTPA) as Amended (1992). This council is an advisory body. WDC advises the Governor and the public concerning the nature and extent of workforce development and economic development needs in North Dakota. WDC also advises how to meet these needs effectively while maximizing the efficient use of available resources and avoiding unnecessary duplication of effort.**

**The International Trade Program's objective is to increase the number of jobs in North Dakota by helping companies expand their businesses into foreign markets. They provide counseling to North Dakota Companies on export procedures, international marketing, banking and financing.**

**The Community Development Program provides specialists who help individuals, communities and counties develop their local economy. This is accomplished through education and training.**

**The Native American Program is housed outside ED&F. It provides Native American individuals, businesses and tribal governments access to technical support and financial assistance. It also advocates an improved business climate for Native American business and encourages policies that address their needs.**

**The Women's Business Program is housed separate of ED&F. This program assists women by:**

- **Providing counseling and technical assistance for women entrepreneurs;**
- **Maintaining a database of women-owned businesses;**
- **Administering the women's incentive grant program;**
- **Certifying women-owned businesses for federal and state contracting.**

## **TECHNOLOGY PLAN SUMMARY**

Currently, ED&F has a LAN based on Windows NT 4.0. This system serves as a platform for electronic mail, printing services, Internet access, file storage, file backup and mainframe access. It is used to handle the day-to-day activities. Most of the computers at ED&F are Pentiums or Pentium Pros. The remaining seven 486 machines will be replaced this biennium.

As a basic and vital function of EGND, ED&F will continue to collect and analyze data on North Dakota. This information will be made available in both a refined and raw state. Armed with this information, North Dakota will be able to attract higher quality, higher paying jobs. This will help improve the quality of life for all North Dakotans. This information will also be used with our GIS software and in our manufacturers (primary sector) database.

We will begin to host a Lotus Notes site this year. It will be accessible by employees in and out of the office. Some data on this server will also be made available to outside developers, other agencies and possibly, the general public. It will also help us to coordinate all information inside our office and prevent duplication. With an agency consisting of several independent programs, this can be a problem. ED&F is striving to increase and improve collaboration, communication, cooperation and coordination of efforts among state, local economic development groups and local leadership. This site, plus additional information on our Internet site, are steps in this process. In the future we see it as a possible way to get on-line training to our developers.

We have an Internet site that is hosted by I-Net Technologies in Bismarck.

Our network is connected to ISD and the state backbone through a dedicated connection shared with North Dakota Department of Parks and Recreation. OMB applications are processed on the ISD mainframe.

In looking to the future, it is very difficult to envision what we will be doing in five years. Through the brainstorming process, we took a look at where technology was five years ago. Current hardware was only in the concept and development stages. Our long-term plans therefore are only a **best guess**.

## **COMPATIBILITY WITH STATEWIDE PLAN**

N/A

## **INFORMATION TECHNOLOGY GOALS AND OBJECTIVES**

With economic development and technology changing so rapidly, it is vital the ED&F position itself to continue collecting, analyzing and distributing information about North Dakota, its people, businesses and current and future targeted industries.

### **Short Term:**

- Continue to maintain and update the system to meet the needs of the users and customers.
  - Upgrade all computers to a minimum of the Pentium level.
  - Upgrade electronic mail and calendar software.
  - Replace several older monitors with larger ones.
- Complete the implementation of the new project and client tracking software.
- Convert the network to ether net from token ring.
- Implement faxing from individual PCs.
- Increase our presence on the Internet allowing for more interactive transactions.
- Begin setting up our Intranet.

### **Medium Term:**

- Continue to maintain and update the system to meet the needs of the users and customers. This will entail replacing seven to ten PCs of the 25 per biennium.
- Continue increasing our presence on the Internet.
- Update our presentation and publication equipment.
- Install video conferencing equipment.
- Review and possibly implement an Extranet.

### **Long Term:**

- Continue to maintain and update the system to meet the needs of the users and customers.
- Consider mobile video conferencing.

## **INFORMATION TECHNOLOGY ACCOMPLISHMENTS**

N/A



**SYSTEM/FUNCTION DESCRIPTION**  
**OFFICE OF MANAGEMENT AND BUDGET**  
**INFORMATION SERVICES DIVISION**  
 SFN 51324 (8-97)

Department #	Department Name	System Number
601	ND Department of Economic Development & Finance	400

<b>System Name</b> EDF-NT4 (Miscellaneous System)
------------------------------------------------------

<b>Platform</b>
<input type="checkbox"/> Mainframe <input type="checkbox"/> Midrange <input checked="" type="checkbox"/> LAN

**System description and sharing capability with other agencies, political subdivisions, federal government, and public access:**

ED&F's LAN is used to conduct day-to-day business and handle our e-mail system. It is also used to store and track data for the Manufacturer's Directory, our GIS application and our promotional publication called the Details Piece. All clients and projects are tracked. This system is also used to connect into the State's system to perform the bookkeeping functions.

<b>Goals and Objectives:</b>	
Short Term:	Continue to maintain and update the system to meet the needs of the users and customers. Complete the implementation of the new project and client tracking software. Convert network to ether net from token ring. Implement faxing from individual's PCs. Increase our presence on the Internet. Begin setting up our intranet. Update the e-mail system.
Medium Term:	Continue to maintain and update the system to meet the needs of the users and customers. Continue increasing our presence on the internet. Update our presentation and publication equipment. Install video conferencing equipment. Review and possibly implement an Extranet.
Long Term:	Continue to maintain and update the system to meet the needs of the users and customers. Consider mobile video conferencing.

<b>Compare actual outcomes achieved to goals and objectives defined in the previous plan for this system:</b>
N/A

Year the system was implemented:	1992
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Major enhancements completed and associated year of completion:
1997 - additional hard drives and memory, converted to NT 4.0

Backup Plan:
System is backed up Tuesday through Saturday at 2:00 AM. Each day the tape is taken off premises by the Information Specialist and returned the next day. In addition, the last tape of the month is off site for one month.

Provide statutory citation requiring the system:





**SYSTEM/FUNCTION BUDGET**  
**OFFICE OF MANAGEMENT AND BUDGET**  
**INFORMATION SERVICES DIVISION**  
 SFN 51325 (8-97)

Department #	Department Name	System Number
601	ND Department of Economic Development & Finance	400

	Current Biennium		1999 - 2001		2001 - 2003		Total
	Hours	Dollars	Hours	Dollars	Hours	Dollars	Dollars

**System Maintenance/Operations**

Agency-IT Employees	3920	72912	3885	76340	3835	79576	249939
ISD Services		63200		65350		69331	255916
Contract Service		70500		50900		65000	279500
<b>SUB TOTAL</b>		<b>296612</b>		<b>191690</b>		<b>213907</b>	<b>785355</b>

**Training Provided By**

Agency-IT Employees	240	4464	275	5403	325	6743	16610
ISD Services							
Contract Service		7000		7750		8612	27709
<b>SUB TOTAL</b>		<b>11464</b>		<b>13153</b>		<b>15355</b>	<b>44319</b>

**Additional Costs**

Hardware		82600		129100		102000	313700
Software		45000		27600		25000	103600
Other							

Projects							
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<b>GPAND TOTAL</b>	<b>4160</b>	<b>345676</b>	<b>4160</b>	<b>361543</b>	<b>4160</b>	<b>356262</b>	<b>1246974</b>
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**Funding Source**

General		345676		361543		356262	1246974
Federal							
Special							



**SOFTWARE INVENTORY SCHEDULE**  
**OFFICE OF MANAGEMENT AND BUDGET**  
**INFORMATION SERVICES DIVISION**  
 SFN 51326 (8-97)

Department #	Department Name	Date Completed
601	ND Department of Economic Development & Finance	1/15/1998

Category	Total Cost *
Office Automation	\$ 6766
Operating System and Utilities	\$ 3077
Network Management and Communications Software	\$ 4660
System Development and Database Management Tools	\$ 0
Graphics Tools	\$ 385
Turn-key Business Applications Software	\$ 2612
Training, Professional Development and Support Software	\$
<b>TOTAL</b>	<b>\$ 17500</b>

- Initial purchase price



**HARDWARE INVENTORY SCHEDULE**  
 OFFICE OF MANAGEMENT AND BUDGET  
 INFORMATION SERVICES DIVISION  
 SFN 51327 (8-97)

Department #	Department Name	Date Completed
601	ND Department of Economic Development & Finance	1/15/1998

Category	Total Cost*	Annual Lease Amount
CPU/Processors		
• PCs / Workstations	\$ 100608	8400
• Servers	\$ 7938	0
• Midrange	\$	
• Mainframe	\$	
Peripheral Equipment	\$ 21095	
Communications Equipment	\$ 17089	
Miscellaneous	\$	
<b>TOTAL</b>	\$ 146730	8400

\* Original purchase price. Includes upgrades that are capitalized.

\*\*Tentative Server Replacement



**CONTRACT SCHEDULE**  
**OFFICE OF MANAGEMENT AND BUDGET**  
**INFORMATION SERVICES DIVISION**  
 SFN 51328 (8-97)

Department #	Department Name	Date Completed
601	ND Department of Economic Development & Finance	1/15/1998

Vendor	Contract Type	Contract Term	Cost
I-Net Technologies	Systems Development	24 months	25000
Cipher Systems	Systems Development	Approximately 15 months	44500
MidWest Leasing Inc	Hardware Lease	24 months	16800
		<b>TOTAL</b>	<b>86300</b>

**North Dakota Development Fund Projects  
As of 12/31/98**

<b>Company</b>	<b>Location</b>	<b>Invest Date</b>	<b>Invest Amount</b>	<b>Fund</b>	<b>Type</b>	<b>Status</b>	<b>County</b>
Hettinger Co. Crop	Hettinger	2/24/98	36,000	RRLF	Debt-TTI		Adams
Fire-Way Systems	Valley City	12/7/98	69,360	RRLF	Debt		Barnes
Fire-Way Systems	Leeds	4/1/98	50,000	RRLF	Debt	Paid off	Benson
Fire-Way Systems	Leeds	10/29/96	300,000	RRLF	Debt		Benson
Leeds EDC	Leeds	5/29/96	16,000	RRLF	Debt		Benson
Safe Corporation	Esmond	9/10/92	300,000		Debt	Charged off \$282,783	Benson
Gates Manufacturing	Lansford	8/14/97	200,000	RRLF	Debt		Bottineau
Schepp's Deli	Lansford	9/23/96	25,000	RRLF	Debt		Bottineau
LD Paulson Enterprises	Bowman	12/12/97	30,000	RRLF	Debt		Bowman
AdMed, Ltd.	Bismarck	5/20/92	100,000		Equity		Burleigh
Bis. Industries (US Health)	Bismarck	3/5/92	350,000		Debt		Burleigh
Bismarck Ind. (Unisys)	Bismarck	12/9/94	700,000		Equity		Burleigh
CD Sound	Bismarck	9/29/95	50,000		Debt		Burleigh
CD Sound	Bismarck	5/31/96	20,000		Debt		Burleigh
GFG Foodservice	Bismarck	6/10/96	335,000		Debt		Burleigh
LAS International	Bismarck	9/17/97	100,000		Debt	Paid off	Burleigh
Schultz Creamery	Bismarck	10/19/98	200,000		Debt		Burleigh
Unisys	Bismarck	1/19/95	100,000		Grant		Burleigh
Advanced Architecture	Fargo	1/4/95	28,300	RRLF	Debt-TTI	Charged off \$28,300	Cass
Alloway Industries	Fargo	4/15/97	300,000		Debt		Cass
ATL, Ltd.	W. Fargo	7/16/92	50,000		Debt	Charged off \$50,000	Cass
Cargill	Fargo	5/1/96	500,000		Debt		Cass
Cargill	Fargo	6/3/96	100,000		Grant		Cass
Cobra Hose	Fargo	1/4/96	35,000		Debt		Cass
Dakota Fiber	Casselton	6/2/94	33,700	RRLF	Debt	Charged off \$26,700	Cass
Dakota Fresh	Casselton	4/23/96	50,000	RRLF	Debt		Cass
First Bank	Fargo	10/22/96	100,000		Grant		Cass
IC System	Fargo	9/24/96	90,000		Debt		Cass
IC System	Fargo	9/24/96	37,500		Grant		Cass
IC System	Fargo	7/26/96	500,000		Debt		Cass
IC System	Fargo	8/7/96	100,000		Grant		Cass
Mid-America Aviation	Fargo	10/29/92	200,000		Equity		Cass
Mid-America Aviation	Fargo	10/30/92	30,000		Equity		Cass
ND Housing & ED/MAA	Fargo	7/24/92	34,000		Debt	Charged off \$32,274	Cass
Phoenix International	Fargo	11/25/91	300,000		Equity	Paid off	Cass
R. Blajszak / D Russell	Fargo	7/23/98	53,754		Debt	Paid off	Cass
R&S Casework	Fargo	5/11/98	65,000		Debt		Cass
RCB Baking	Fargo	9/17/97	100,000		Debt	Charged off \$100,000	Cass
RSA Building	Fargo	9/15/93	120,000		Debt		Cass
RWA Properties	Fargo	9/1/98	175,000		Debt		Cass
SEI	Fargo	9/28/94	329,714		Debt		Cass
N.American Bison Coop.	New Rockford	4/19/96	300,000	RRLF	Debt		Eddy
AgGrow Oils	Carrington	10/3/97	300,000	RRLF	Debt		Foster
AgGrow Oils	Carrington	9/1/98	200,000	RRLF	Debt		Foster
Dakota Pasta	Carrington	10/28/92	700,000		Equity		Foster
Lake Aid Systems	Carrington	4/30/93	100,000		Equity		Foster
Lake Aid Systems	Carrington	10/7/94	100,000		Debt		Foster
LAS International	Carrington	10/1/98	40,000		Debt		Foster
Aatrix Software	Grand Forks	7/31/92	300,000		Equity		Grand Forks
AgPark LLC	Grand Forks	5/28/98	500,000		Debt		Grand Forks
AGSCO	Grand Forks	10/1/97	200,000		Debt-Disaster		Grand Forks
American Woods	Grand Forks	9/29/97	200,000		Debt-Disaster		Grand Forks
Associated Potato Growers	Grand Forks	11/3/97	200,000		Debt-Disaster		Grand Forks
Biodigester Technologies	Grand Forks	12/24/97	200,000		Equity-Disaster		Grand Forks
ThunderHawks	Larimore	12/23/98	16,100	RRLF	Debt		Grand Forks
ThunderHawks Design Corp.	Grand Forks	5/10/96	500,000		Equity		Grand Forks
ThunderHawks Design Corp.	Grand Forks	8/31/98	500,000		Equity		Grand Forks
GF Truss	Grand Forks	7/9/97	150,000		Debt-Disaster		Grand Forks
GFG Foodservice Inc.	Grand Forks	5/22/95	67,500		Grant		Grand Forks
GFG Foodservice Inc.	Grand Forks	6/29/95	100,000		Debt		Grand Forks

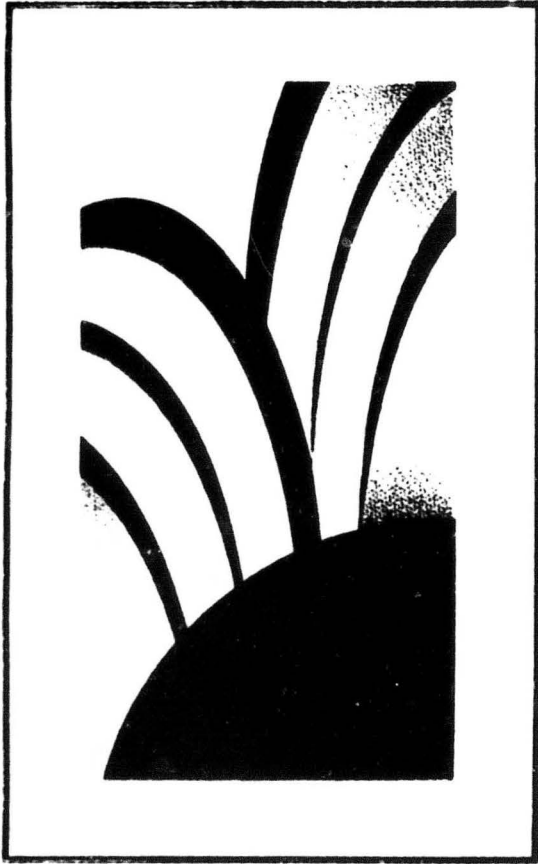
**North Dakota Development Fund Projects  
As of 12/31/98**

Infrared Technologies	Grand Forks	12/10/92	140,000	Equity	Charged off \$140,000	Grand Forks
Philadelphia Macaroni	Grand Forks	12/2/97	200,000	Debt-Disaster		Grand Forks
Pribbs Steel	Grand Forks	1/2/98	250,000	Debt		Grand Forks
Pribbs Steel	Grand Forks	12/18/98	200,000	Debt		Grand Forks
Red River Trading	Grand Forks	1/23/95	30,000	Grant		Grand Forks
Red River Trading Co.	Grand Forks	2/28/95	30,000	Debt	Charged off \$30,000	Grand Forks
Residual Materials	Grand Forks	9/8/97	200,000	Debt-Disaster		Grand Forks
TAG	Grand Forks	7/16/90	75,000	Equity		Grand Forks
TAG	Grand Forks	10/9/91	225,000	Equity		Grand Forks
Young Manufacturing	Grand Forks	7/10/97	100,000	Debt-Disaster		Grand Forks
ADE	Regent	9/11/92	50,000	Equity	Charged off \$50,000	Hettinger
ADE	Regent	1/4/93	25,000	Equity	Charged off \$25,000	Hettinger
ADE	Regent	10/27/93	43,000	Debt	Charged off \$37,769	Hettinger
Buffalo Commons	Mott	7/31/96	120,000	RRLF Debt		Hettinger
Orbtech	Steele	5/24/95	10,000	Grant		Kidder
Fisher Flying Products	Edgeley	3/9/95	45,000	RRLF Debt-TTI		LaMoure
Precision Fiberglass	Edgeley	6/12/92	250,000	Equity	Charged off \$250,000	LaMoure
Precision Fiberglass	Edgeley	9/24/93	20,000	Debt	Charged off \$20,000	LaMoure
All-In-One Products	Watford City	2/27/95	95,000	RRLF Debt		McKenzie
TRJ Enterprises	Watford City	11/18/96	57,500	RRLF Debt		McKenzie
Bio Sunn	Garrison	10/27/93	100,000	Debt	Paid off	McLean
Brite Flite	Hazen	3/10/94	30,000	RRLF Debt		Mercer
Noble Dev. Corp.	Hazen	1/8/96	300,000	RRLF Equity		Mercer
Noble Dev. Corp.	Hazen	5/18/98	100,000	RRLF Equity		Mercer
Noble Development	Hazen	3/18/96	95,000	Grant		Mercer
Noble Games	Hazen	7/3/96	37,500	RRLF Debt		Mercer
Oster, E. United Test	Hazen	6/22/94	5,000	RRLF Debt		Mercer
Roger Rasch	Hazen	8/26/94	2,880	RRLF Debt-TTI		Mercer
TRJ Enterprises	Hazen	1/13/95	26,000	RRLF Debt		Mercer
Chief's Choice	Mandan	8/15/94	175,000	Equity	Charged off \$175,000	Morton
acco, Inc.	Hebron	4/29/98	400,000	RRLF Debt		Morton
akota Dairy	Hebron	9/27/96	130,000	RRLF Debt		Morton
akota Dairy	Hebron	6/15/98	156,250	RRLF Debt		Morton
Flasher Dev. Corp	Flasher	5/31/96	24,000	RRLF Equity		Morton
Leingang, Al	Mandan	7/21/95	111,000	Debt		Morton
N. Plains Premium Beef	Mandan	2/3/97	100,000	Debt	Paid off	Morton
NCDC	Mandan	7/31/96	300,000	Debt		Morton
North Plains Premium Beef	Mandan	4/23/97	25,000	Debt		Morton
Tech Rom Libraries	Mandan	7/22/93	75,000	Equity	Charged off \$75,000	Morton
Q&R Processing	Tolna	8/8/94	75,000	RRLF Equity	Charged off \$75,000	Nelson
Bandy Technology	Walhalla	3/6/97	50,000	RRLF Debt-TTI		Pembina
Drayton Grain Processors	Drayton	4/18/96	300,000	RRLF Debt		Pembina
Drayton Grain Processors	Drayton	8/14/98	240,000	RRLF Debt		Pembina
FSP, Inc.	Walhalla	2/9/94	150,000	Debt		Pembina
Harvest Fuel	Walhalla	2/21/97	100,000	RRLF Debt		Pembina
Harvest Fuel	Walhalla	9/11/92	75,000	Equity		Pembina
QMAS	Walhalla	8/6/94	150,000	Equity		Pembina
Robodyne	Rugby	1/19/93	300,000	Equity		Pierce
Robodyne	Rugby	3/5/98	19,737	Debt		Pierce
Dakota Medical Lab.	Ft. Totten	3/5/96	21,600	RRLF Debt-TTI	Charged off \$21,600	Ramsey
Edmore Dev. Corp.	Edmore	5/27/94	80,000	RRLF Equity	Charged off \$80,000	Ramsey
Harvey Nordin	Devils Lake	3/13/95	5,000	RRLF Debt-TTI		Ramsey
NYTAF Industries	Edmore	2/24/95	125,000	RRLF Debt	Charged off \$125,000	Ramsey
NYTAF Industries	Edmore	3/10/94	25,000	RRLF Debt	Charged off \$24,934	Ramsey
Pugsley's	Devils Lake	3/8/94	200,000	RRLF Debt		Ramsey
Pugsley's	Devils Lake	1/12/96	100,000	RRLF Debt		Ramsey
Mightylite	Hankinson	12/21/92	300,000	Equity	Charged off \$300,000	Richland
International Peace Garden	Rolla	9/1/98	20,000	RRLF Debt		Rolette
Microlap Technologies	Rolla	12/18/96	300,000	Debt	Paid off	Rolette
Microlap Technologies	Rolla	6/11/98	36,248	RRLF Debt		Rolette
Rolla JDA	Rolla	1/30/98	50,000	RRLF Debt		Rolette
Turtle Mountain Mfg.	Belcourt	8/31/92	307,000	Debt		Rolette

**North Dakota Development Fund Projects  
As of 12/31/98**

Kirschmann Mfg.	McClusky	1/28/94	163,000	RRLF	Equity	Charged off \$163,000	Sheridan
Kirschmann Mfg.	McClusky	4/7/93	150,000		Equity	Charged off \$150,000	Sheridan
Kirschmann Mfg.	McClusky	6/17/93	150,000		Equity	Charged off \$150,000	Sheridan
FACT	Ft. Yates	7/16/93	60,000		Debt	Charged off \$37,000	Sioux
FACT	Ft. Yates	9/20/93	17,000		Debt	Charged off \$14,500	Sioux
Baker Boy Bake Shop	Dickinson	8/21/96	67,500		Debt		Stark
Reiter Welding	Dickinson	3/16/98	25,000		Debt		Stark
Reiter Welding	Dickinson	10/21/98	80,000		Debt		Stark
Steffes & Son	Dickinson	9/19/96	67,490		Debt		Stark
Steffes ETS	Dickinson	9/19/96	282,510		Debt		Stark
Mid-America Aviation	Finley	6/12/92	36,000		Equity		Steele
Aviko USA LLC	Jamestown	9/15/95	300,000		Equity		Stutsman
Buffalo City Wood Prod.	Jamestown	9/20/93	50,000		Equity		Stutsman
Glenmac	Jamestown	1/31/96	300,000		Debt		Stutsman
Hydrobikes	Jamestown	8/20/92	300,000		Equity		Stutsman
Hydrobikes	Jamestown	1/30/95	175,000		Equity		Stutsman
Integra	Cando	10/18/94	600,000		Debt		Towner
Heart of Valley	Portland	9/23/94	50,000	RRLF	Debt-TTI		Traill
Mexican Village	Hillsboro	12/7/93	60,000		Equity		Traill
USA Technologies	Hillsboro	11/4/92	150,000		Equity	Charged off \$150,000	Traill
Alchem Limited	Grafton	5/28/98	350,000	RRLF	Debt		Walsh
Dynamics Marketing	Grafton	12/30/96	125,000	RRLF	Debt		Walsh
Harriston Industries	Minto	10/14/92	200,000		Equity	Paid off	Walsh
Harriston Industries	Minto	8/7/96	250,000	RRLF	Debt		Walsh
N. Valley Potato Growers	Hoople	7/30/97	300,000	RRLF	Debt		Walsh
Shea Technologies	Park River	12/15/97	250,000		Debt		Walsh
Banton Industries	Minot	5/23/94	140,000		Equity	Charged off \$140,000	Ward
Banton Industries	Minot	2/15/95	50,000		Debt	Charged off \$50,000	Ward
Image, Inc.	Minot	3/4/94	25,000		Grant		Ward
Kenmare Economic Dev.	Kenmare	2/13/95	15,000		Grant		Ward
St S Feist Family LLP	Minot	9/11/95	300,000		Debt		Ward
TD Envelope Co.	Kenmare	10/26/94	125,000	RRLF	Debt		Ward
Oral Logic	Minot	7/20/93	200,000		Debt	Paid off	Ward
Oral Logic	Minot	4/16/92	300,000		Equity	Charged off \$300,000	Ward
Oral Logic	Minot	12/10/92	100,000		Equity	Charged off \$100,000	Ward
Pro Entry	Kenmare	3/2/92	15,000		Debt	Charged off \$11,988	Ward
Pro Entry	Minot	3/2/92	15,000		Debt	Charged off \$11,988	Ward
Sawyer Beef	Sawyer	9/7/90	50,000		Equity		Ward
InstaScreen	Harvey	7/29/93	80,000		Debt	Charged off \$18,134	Wells
NuGrain	Harvey	2/14/95	275,000	RRLF	Equity		Wells
NuGrain	Harvey	3/4/94	200,000		Equity		Wells
TJ Manufacturing	Harvey	3/31/94	40,000	RRLF	Debt	Charged off \$35,930	Wells
Allen Falcon	Williston	7/13/98	2,797		Debt		Williams
Ames Mfg.	Williston	12/31/92	300,000		Equity		Williams
Dakota Catalyst	Williston	4/9/92	300,000		Equity	Charged off \$300,000	Williams
Dakota Catalyst	Williston	12/29/93	250,000		Equity	Charged off \$250,000	Williams
Falcon Fiberglass	Williston	2/1/95	42,500		Debt	Charged off \$37,500	Williams
Foam Technologies	Williston	8/9/94	70,000		Debt	Charged off \$60,000	Williams

25,828,440



# GROWING

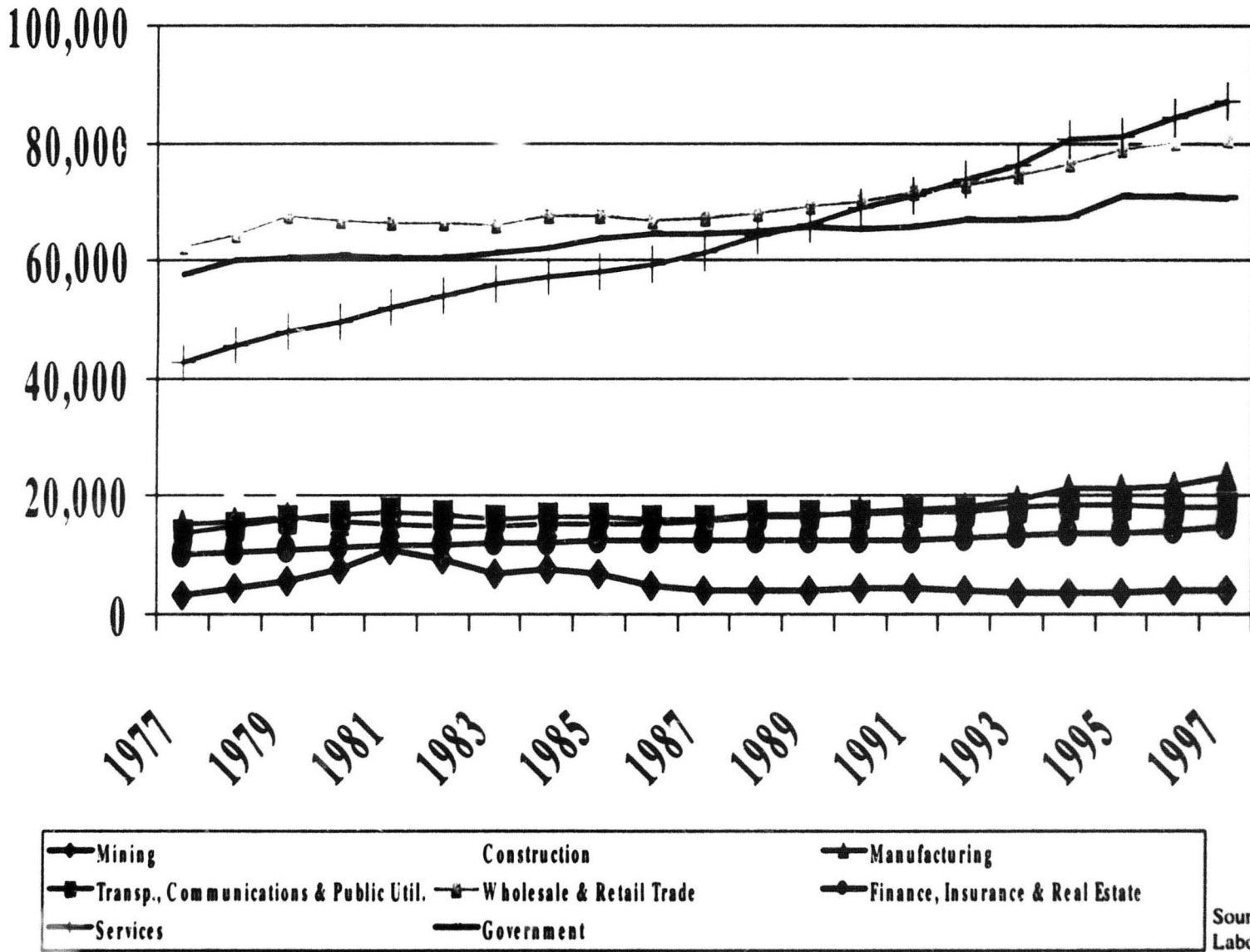
North Dakota

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North Dakota Department of  
Economic Development & Finance

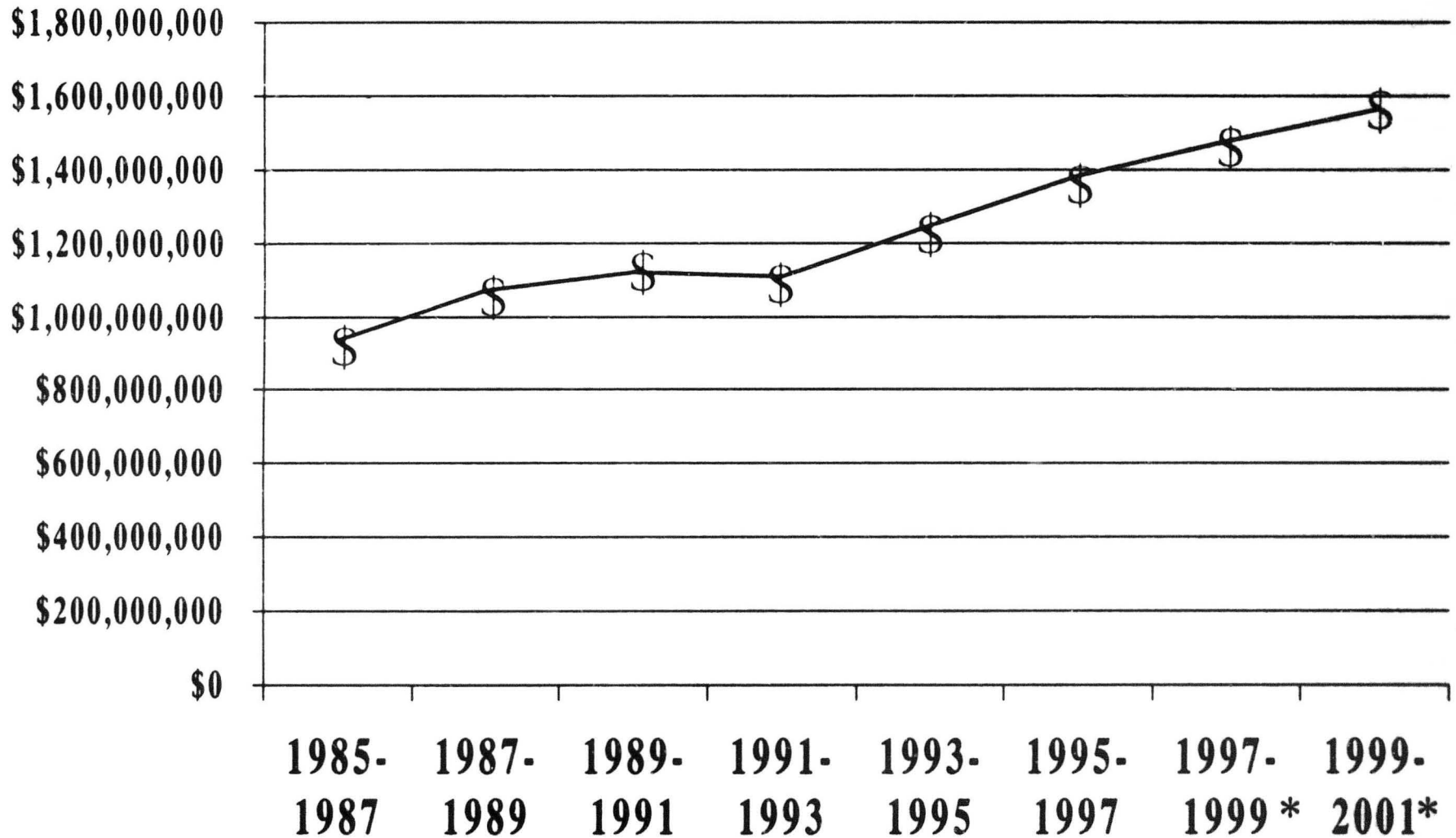


# North Dakota Non-Ag Annual Avg. Employment (Non-seasonally adjusted)



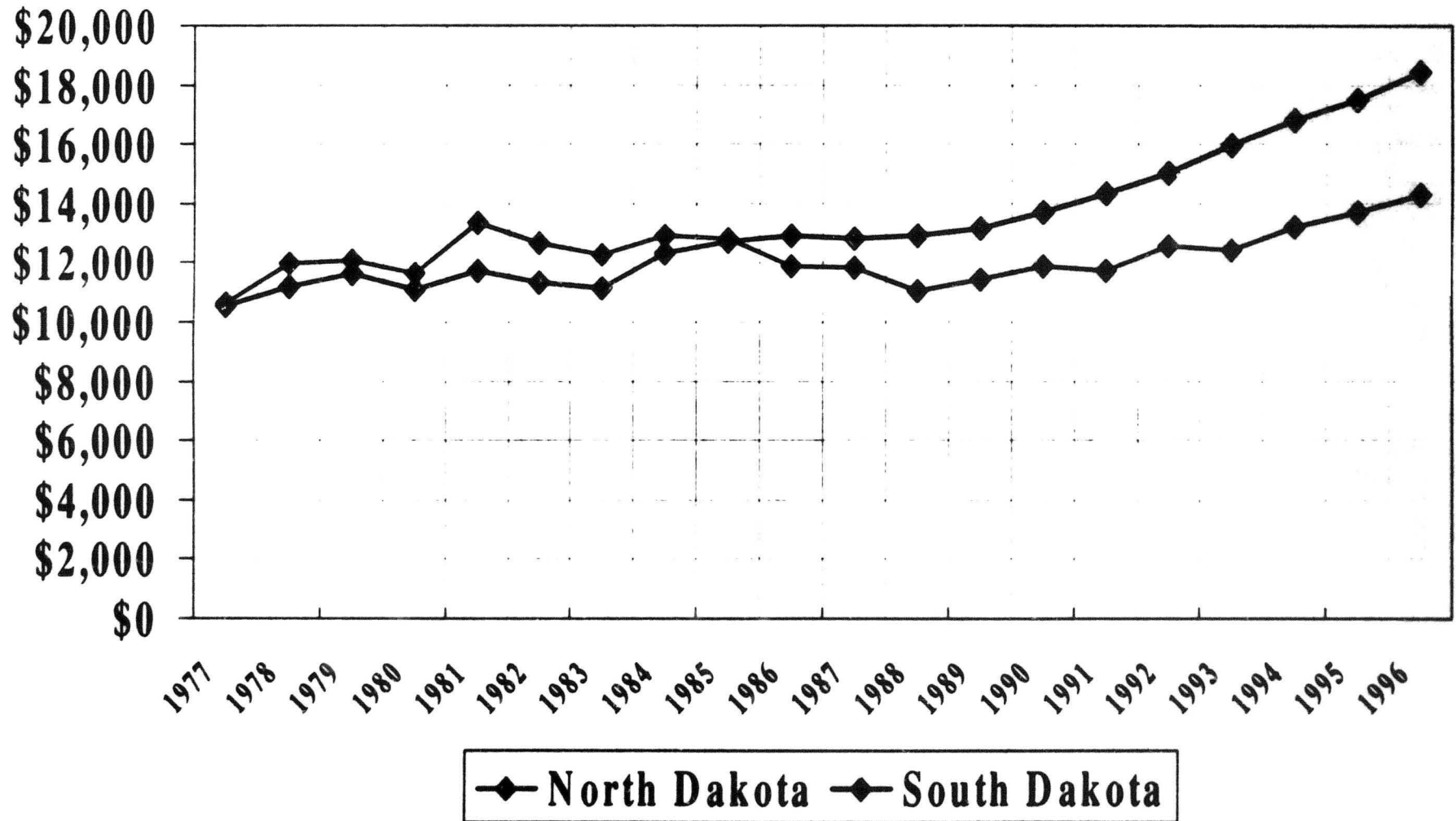
Source: Bureau of Labor Statistics

# North Dakota Total General Fund Revenue

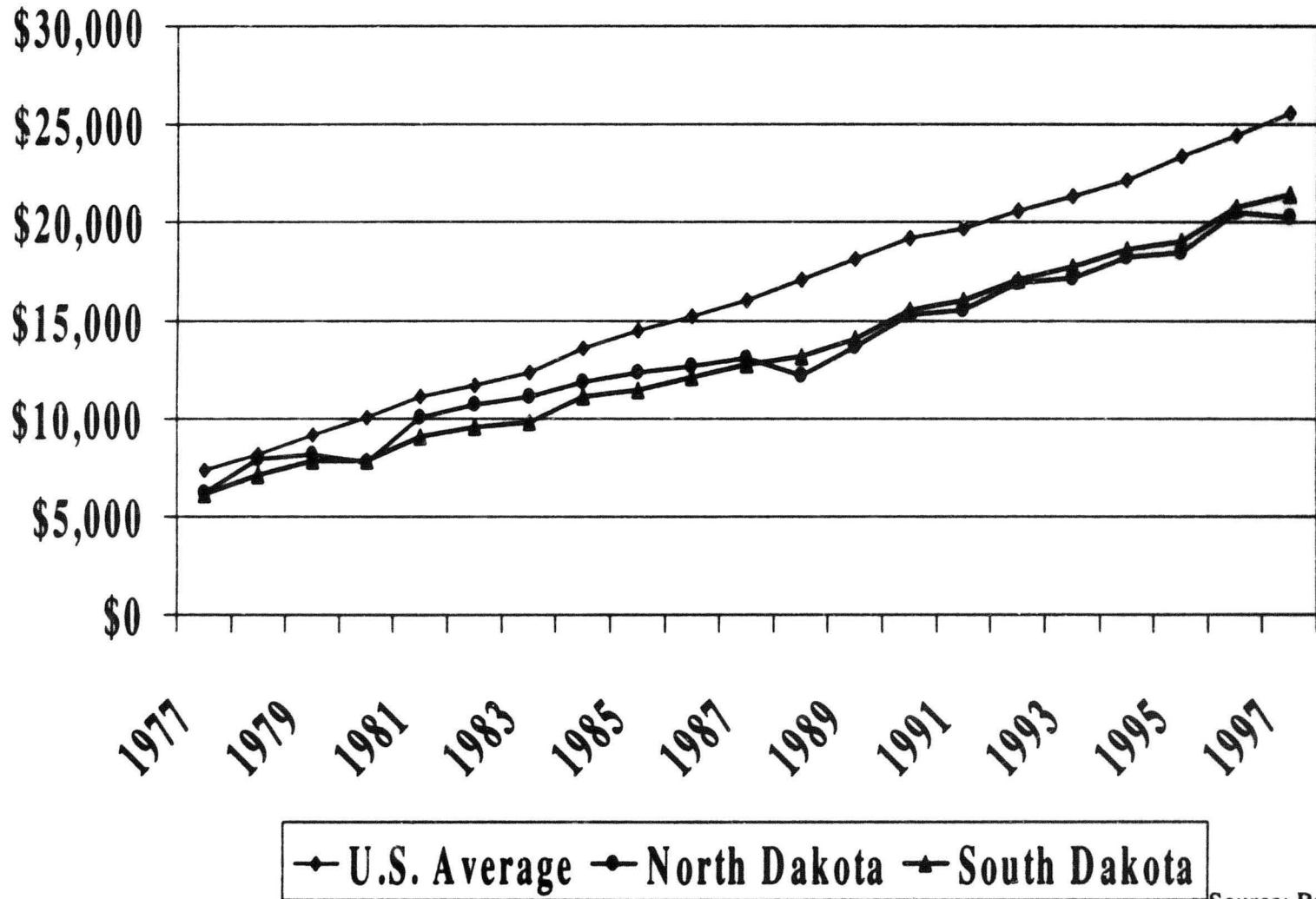


\* WEFA Projections 3/1/99

# Gross State Product (in millions of \$s)



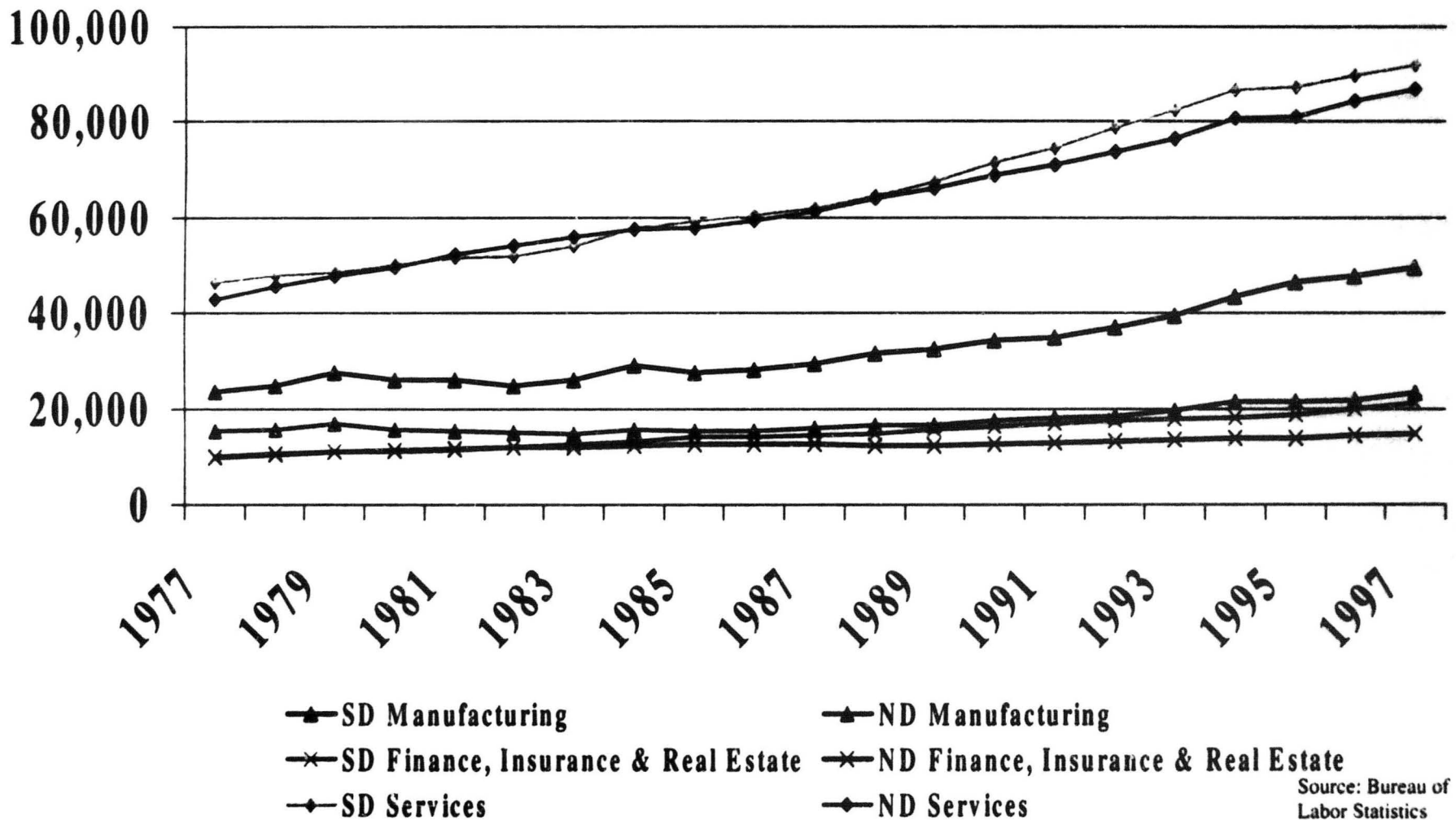
# Per Capita Personal Income



Source: Bureau of Economic Analysis

# South Dakota vs. North Dakota Employment in the Major Primary Sector Industries

(Non-seasonably adjusted)

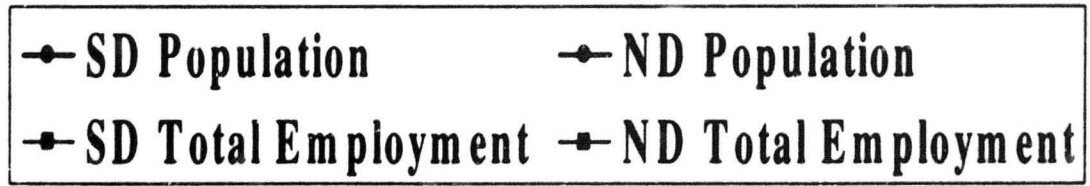
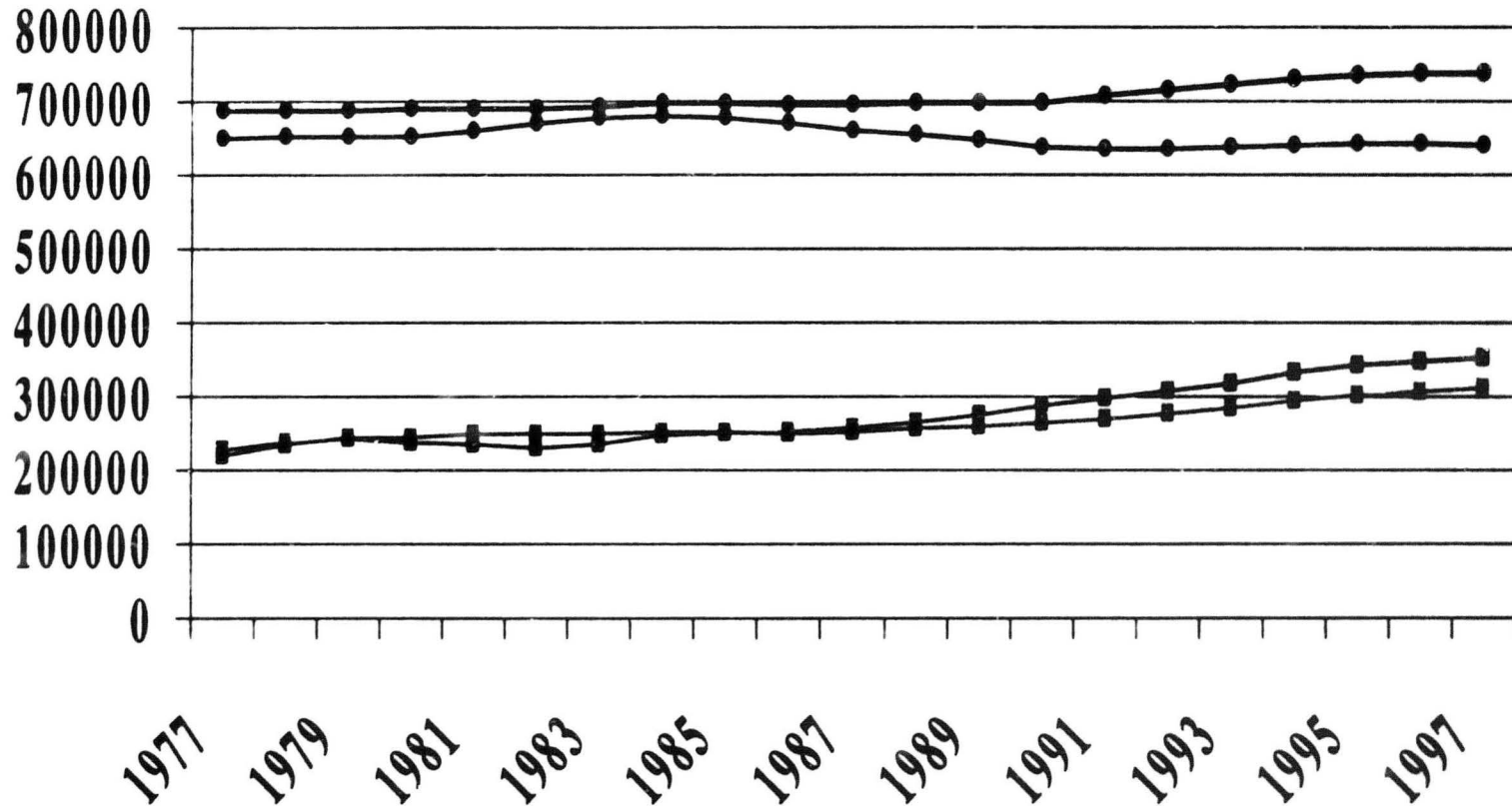


Source: Bureau of Labor Statistics

# South Dakota Population & Employment

vs.

# North Dakota Population & Employment



Source: Bureau of Labor Statistics



**GROWING**  
North Dakota  
Economic Development and Finance

## **ED&F's Mission and Strategic Plan**

### **Vision Statement**

To increase the standard of living for all North Dakotans.

### **Mission Statement**

To provide strategic direction and quality products and services that stimulate and support local economic growth and diversity.

The vision of the Economic Development and Finance (ED&F) Department is to increase the standard of living for all North Dakotans. Quite simply, to generate higher incomes. The agency strives every day through its strategic planning, policy development and products and services offerings to increase the state's household income and per capita income.

Our vision of increasing North Dakota's standard of living is achieved with successful primary sector investment outcomes for local communities. These outcomes include the creation of new businesses from within the state, the retention and expansion of existing businesses, and the attraction of new businesses to the state.

There are three key opportunities driving North Dakota's economy of the future and driving ED&F's efforts: the global economy, the information economy, and workforce development. If North Dakota does not capitalize on these opportunities, diversify its economy and address formidable issues such as out-migration and workforce development, the state will continue to fall behind the rest of the nation and economic opportunities will pass it by.

ED&F recognizes these needs and opportunities and as a result, has developed a strategic plan that will address these issues, create an environment for successful primary sector investment, and ultimately, increase North Dakota's standard of living. The plan's main theme is for ED&F to facilitate efforts statewide, among private and public partners, to accomplish three important goals for securing the economic future of our state.

**Goal #1:** Develop a shared vision for economic development efforts in the state.

**Goal #2:** Build the local capacity and ability of communities to secure successful investment outcomes.

**Goal #3:** Promote the state to create awareness and generate leads for successful investment outcomes.

**This process is actually quite simple. First, we need to identify a common vision and plan so all of our efforts are cohesive, consistent and strategic. Second, we need to develop our product – local communities, and ultimately, the state. Third, we need to promote our product so our customers know of our strengths and opportunities. “Build it, and they will come” – if we build it (the local capacities of each community), and promote it effectively, they (new investment outcomes – relocations, start ups, and expansions) will come. “Grow it, and they will stay” – if we continue to grow it (the local capacities of each community and the successes of existing businesses), they (existing businesses) will stay (successful retention and expansion).**

**Goal #1: Develop a shared vision for economic development efforts in the state.**

**ED&F’s Role:** Assume a leadership role in evaluating, clarifying and recommending new economic development policy.

Continue to educate community leaders through the agency’s economic development education program.

Facilitate the development of a statewide strategic plan.

Facilitate effective communications and interaction with state legislators regarding economic development policies.

Establish a Director’s Action Team, comprised of representatives from the business and development communities, to assist the agency in determining goals and strategies for the state’s economic development efforts.

**Goal #2: Build the local capacity and ability of communities to secure successful investment outcomes.**

**Strategy #1:** Educate community leadership to adopt a shared economic development vision so they can transform their constituents.

**ED&F’s Role:** Continue to educate community leaders through the agency’s economic development education program.

Facilitate broad-based leadership forums to create an environment inciting leaders and entrepreneurs.

Facilitate on-going leadership skill development and board training by focusing on skills including negotiation, conflict resolution and critical thinking.



**Facilitate the development of a platform that provides opportunities for leaders to use their leadership skills.**

**Strategy #2:** **Facilitate the state's commitment to targeting the telecommunications and information technology industries and its investment in infrastructure, technology and people.**

**ED&F's Role:** **Educate community leaders about the importance of telecommunications and information technology to the state's economy and the opportunities that exist within these industries for their communities.**

**Identify other partners and collaborate in removing existing barriers to investing in telecommunications and information technology at a state and local level.**

**Establish a program to build on the successes of current "wired cities" and share their strategies, opportunities and issues with other communities.**

**Interface with telecommunications companies to meet the needs and address the issues facing communities.**

**Facilitate partnerships between communities, businesses and education and training providers to educate teachers and students to develop a strong telecommunications and information technology workforce.**

**Establish a Director's Information Technology Visioning Team to complete a visioning process and develop a strategic plan of action for preparing the state to capitalize on telecommunications and information technology opportunities.**

**Strategy #3:** **Identify and address the needs of existing primary sector businesses through collaborative efforts with communities and professional developers to create an environment for successful retention and expansion.**

**ED&F's Role:** **Develop a business visitation program, in partnership with communities and professional developers.**

**Assist communities and developers in responding to the needs of local businesses.**

**Strategy #4:** **Identify and address workforce development needs by establishing a network between communities, businesses and educational institutions.**

**ED&F's Role:** Further the partnership between businesses and educational institutions through business visitations and subsequent forums between the aligned parties.

Assess the workforce development needs of a community and business through business visitations and target industry research.

Foster the relationship between the agency and the state's education and training providers to work collaboratively to develop education and training programs necessary to meet the existing and future workforce needs of the state.

Develop an information system to ensure that the needs of businesses are clearly and promptly referred to the appropriate education and training providers.

Develop an aggressive, strategic marketing program to recruit a skilled labor force to the state.

**Strategy #5:** Provide financial services to create opportunities for communities and businesses to achieve successful investment outcomes.

**ED&F's Role:** Provide funding sources through the Development Fund and the Agricultural Products Utilization Commission.

Qualify and maintain a venture capital network and align communities and businesses with the appropriate venture capital providers for additional funding opportunities.

Educate local financial institutions about the financial needs of communities and businesses regarding successful economic development.

Assist communities and businesses with project due diligence and with developing a viable, strategic business plan to help secure funding.

**Strategy #6:** Assist communities and businesses with identifying and capitalizing on opportunities in the global economy.

**ED&F's Role:** Educate community leaders about international business and trade trends and opportunities through the agency's economic development education program and other training seminars.

Identify global needs and opportunities through business visitations and align businesses and communities with the appropriate service provider.

**Assist communities and businesses in identifying local global opportunities through the target industry research and other market, company and product assessments.**

**Develop a strategic marketing program to promote the state's strengths and opportunities internationally on a targeted basis.**

**Strategy #7:** Foster a collaborative partnership with other public and private entities to provide communities with the tools and resources to build their civic capacity.

**ED&F's Role:** Under the leadership of the Rural Development Council, work with other public and private entities to establish a cohesive strategic planning process to facilitate local capacity building.

**Goal #3: Promote the state to create awareness and generate leads for successful investment outcomes.**

**Strategy #1:** Define the product at a state and local level and determine North Dakota's strengths, opportunities and competitive selling points.

**ED&F's Role:** Assess the state's business climate and determine its level of competitiveness in comparison to what other states are doing.

**Assist communities in defining their products and determining their competitive positions through research and SWOT analysis.**

**In partnership with the Director's Action Team, establish a peer certification process to assess a community's progress in developing its product, and recognize communities for completing pre-defined phases of product (community) development.**

**Develop and maintain a state and local information system for consistently tracking the business climates and competitive positions of communities and the state.**

**Strategy #2:** Identify audiences for targeted marketing messages and assess their needs.

**ED&F's Role:** Identify audiences and their needs for each state-defined target industry by utilizing and updating the target industry research, and other customer and market assessments.

**Assess audience needs and identify prospects, suppliers, clusters and opportunities for expansions through business visitations.**

**Identify audiences and their needs for marketing efforts including labor force recruitment and other image-building campaigns for the state.**

**Interface with educational institutions to promote entrepreneurial and career opportunities for high school and college graduates within the state.**

**Obtain input regarding target audiences and their needs through the Director's Action Team.**

**Strategy #3: Create awareness, internally and externally, about the state's strengths and opportunities for successful investment outcomes.**

**ED&F's Role: Establish "Team North Dakota," a public-private marketing partnership between communities, professional developers, businesses and public stakeholders to promote the state's strengths and opportunities domestically and globally.**

**Develop and maintain a strategic internal and external marketing plan, enlisting "Team North Dakota" and the Director's Action Team.**

**Generate awareness about North Dakota's opportunities for expansions and entrepreneurial activities, and promote the agency's product and service offerings through business visitations.**

**Educate community leaders about the state's strengths and opportunities, and the product and service offerings of the agency through the economic development education program. Utilize the program to also educate community leaders about how to create awareness of their own community's strengths and opportunities.**


**Strategy #4: Develop investment prospects by transforming leads into opportunities.**

**ED&F's Role: Conduct market, company and product assessments to complete appropriate due diligence research for qualifying leads as viable prospects.**

**Assist communities and professional developers with conducting impact analysis to assess the viability and economic impact of community and economic development projects.**

**Conduct miscellaneous research, including labor studies, to provide communities with the tools and information to secure successful investments.**

**Qualify prospects by developing and nurturing successful relationships through contacts and visitations.**



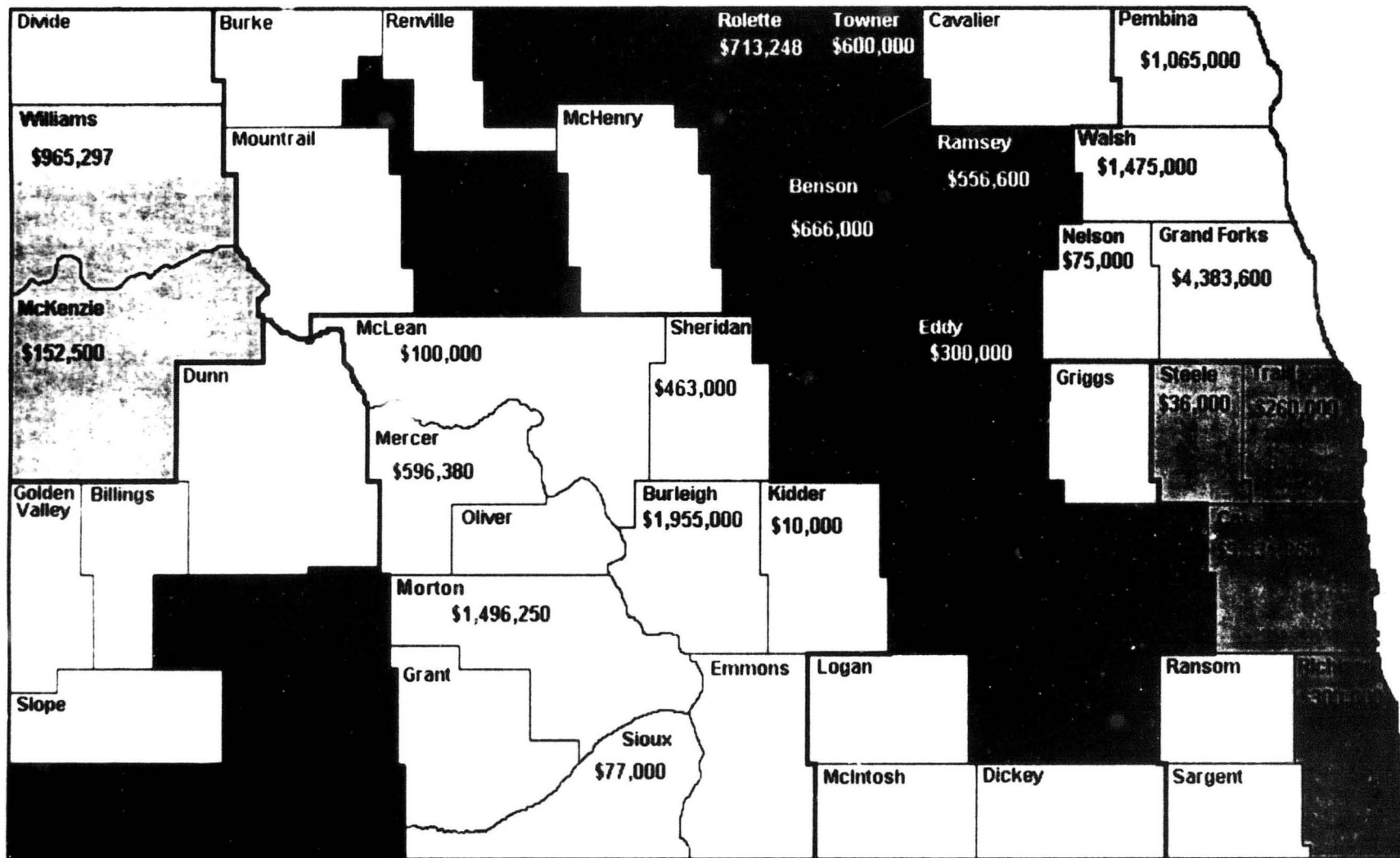
**Identify prospect needs, and assist communities with creating incentive packages necessary to secure successful investment outcomes.**

**Work effectively with qualifying communities to provide them with viable prospects and assist them in negotiating and closing the investment.**



# North Dakota Development Fund and RRLF Consolidated Investments

July 1, 1991 - December 31, 1998



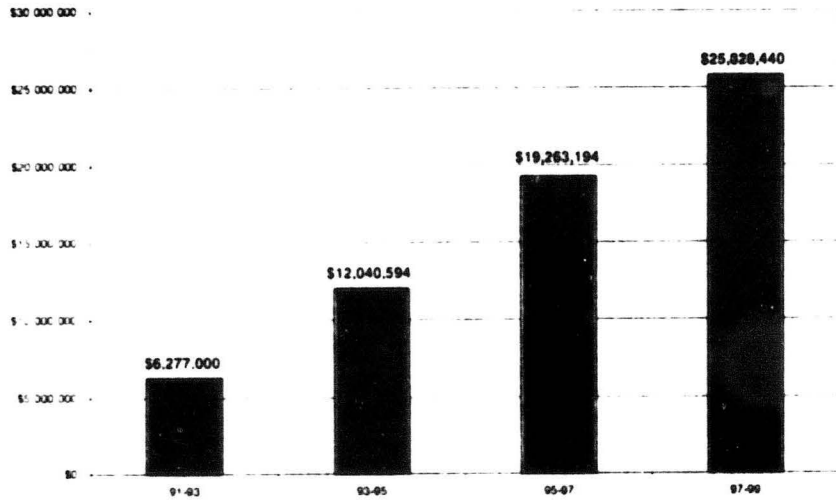
There are 34 counties with NDDF and RRLF investments.

- |          |   |          |   |
|----------|---|----------|---|
| Region 1 | ■ | Region 5 | ■ |
| Region 2 | ■ | Region 6 | ■ |
| Region 3 | ■ | Region 7 | ■ |
| Region 4 | ■ | Region 8 | ■ |

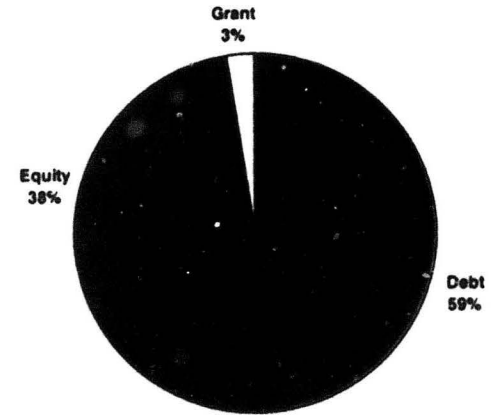
Funded Projects	\$25,828,440
Committed Dollars	4,137,845
<b>Total</b>	<b>\$29,966,285</b>

# NDDF AND RRLF CONSOLIDATED FUNDS

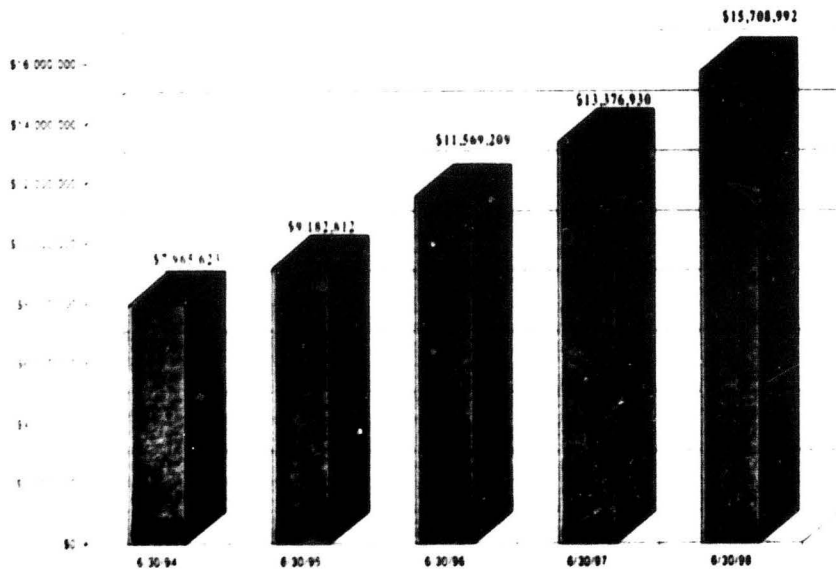
TOTAL DOLLARS INVESTED SINCE FUND INCEPTION



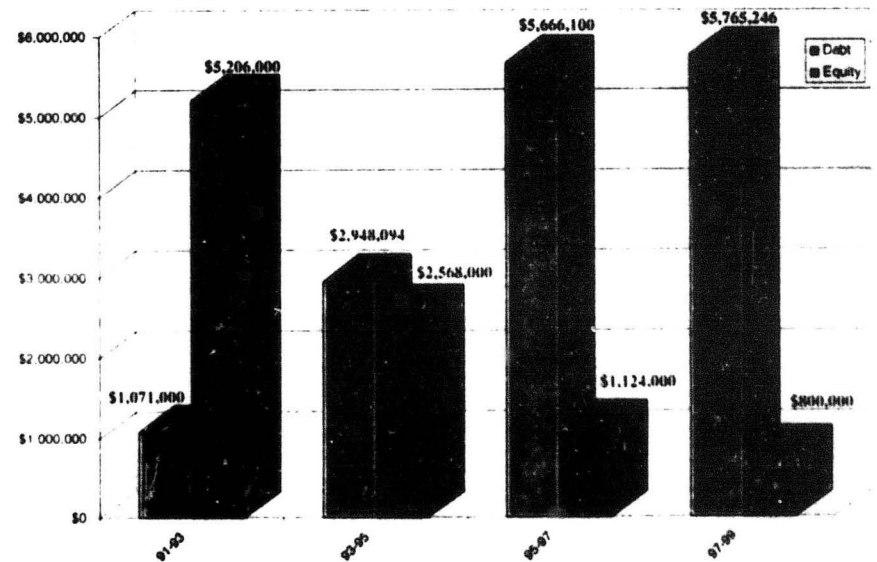
OVERALL PORTFOLIO MIX



FYE PORTFOLIO VALUE

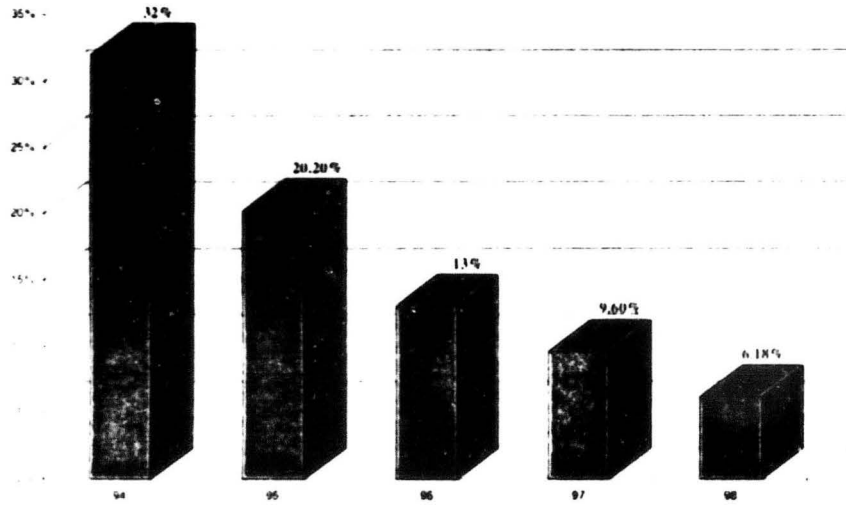


PORTFOLIO MIX

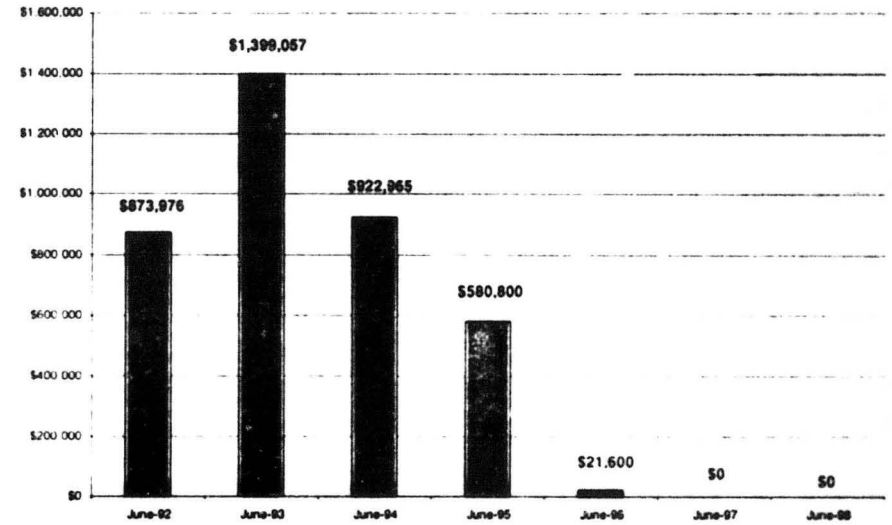


# NDDF AND RRLF CONSOLIDATED FUNDS cont'd

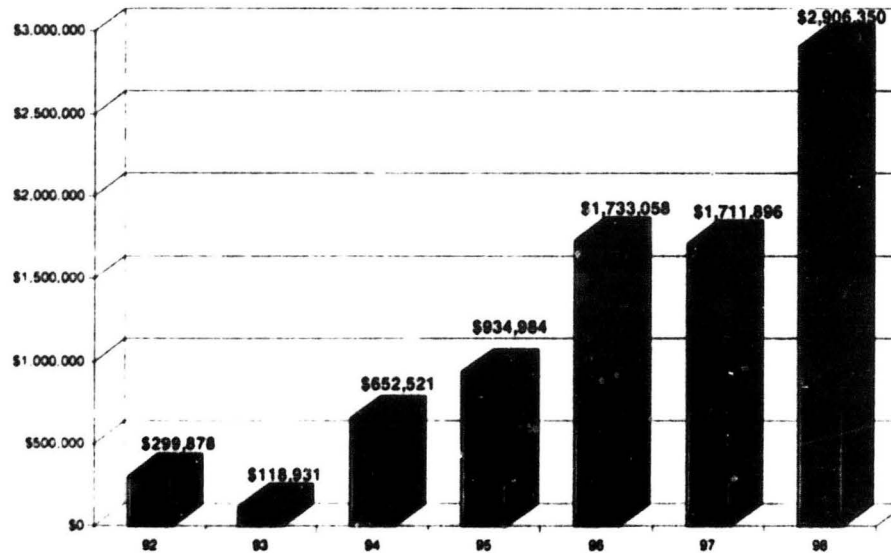
DEFAULT RATE AT 6/30 YEAR END



CHARGE-OFFS BY INVESTMENT DATE



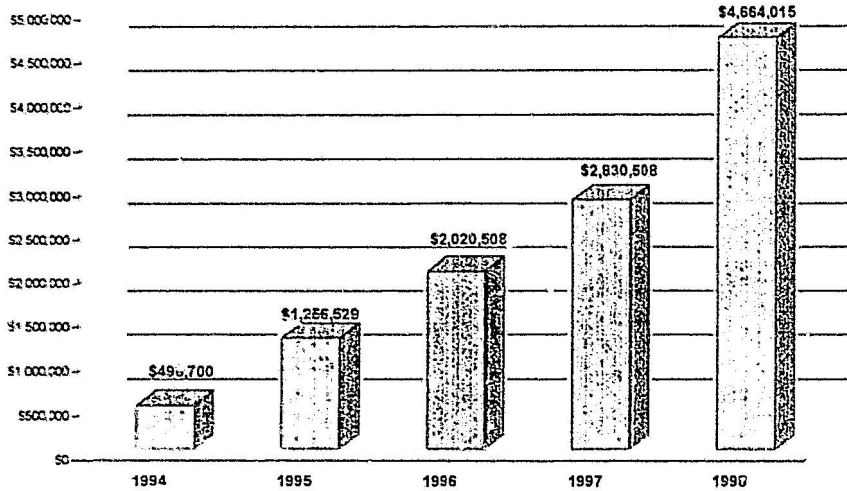
CASHFLOW



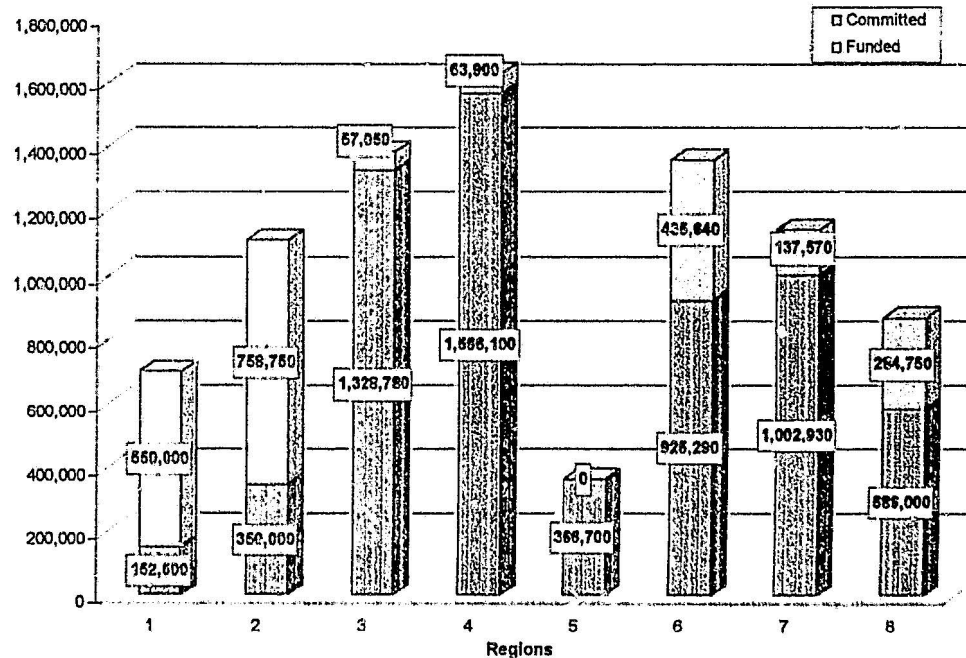


# Regional Rural Development Revolving Loan Fund

CURRENT RRLF PORTFOLIO VALUE



RURAL REVOLVING LOAN FUND DOLLARS BY REGION



North Dakota Development Fund Projects As of 12/31/98

Company	Location	Invest Date	Invest Amount	Fund	Type	Status	County
Hettinger Co. Crop	Hettinger	2/24/98	36,000	RRLF	Debt-TTI		Adams
Sure-Way Systems	Valley City	12/7/98	69,360	RRLF	Debt		Barnes
Farmers Choice Pasta	Leeds	4/1/98	50,000	RRLF	Debt	Paid off	Benson
Farmer's Choice Pasta	Leeds	10/29/96	300,000	RRLF	Debt		Benson
Leeds EDC	Leeds	5/29/96	16,000	RRLF	Debt		Benson
Safe Corporation	Esmond	9/10/92	300,000		Debt	Charged off \$282,783	Benson
Gates Manufacturing	Lansford	8/14/97	200,000	RRLF	Debt		Bottineau
Schepp's Deli	Lansford	9/23/96	25,000	RRLF	Debt		Bottineau
LD Paulson Enterprises	Bowman	12/12/97	30,000	RRLF	Debt		Bowman
AdMed, Ltd.	Bismarck	5/20/92	100,000		Equity		Burleigh
Bis. Industries (US Health)	Bismarck	3/5/92	350,000		Debt		Burleigh
Bismarck Ind. (Unisys)	Bismarck	12/9/94	700,000		Equity		Burleigh
CD Sound	Bismarck	9/29/95	50,000		Debt		Burleigh
CD Sound	Bismarck	5/31/96	20,000		Debt		Burleigh
GFG Foodservice	Bismarck	6/10/96	335,000		Debt		Burleigh
LAS International	Bismarck	9/17/97	100,000		Debt	Paid off	Burleigh
Schultz Creamery	Bismarck	10/19/98	200,000		Debt		Burleigh
Unisys	Bismarck	1/19/95	100,000		Grant		Burleigh
Advanced Architecture	Fargo	1/4/95	28,300	RRLF	Debt-TTI	Charged off \$28,300	Cass
Alloway Industries	Fargo	4/15/97	300,000		Debt		Cass
ATL, Ltd.	W. Fargo	7/16/92	50,000		Debt	Charged off \$50,000	Cass
Cargill	Fargo	5/1/96	500,000		Debt		Cass
Cargill	Fargo	6/3/96	100,000		Grant		Cass
Cobra Hose	Fargo	1/4/96	35,000		Debt		Cass
Dakota Fiber	Casselton	6/2/94	33,700	RRLF	Debt	Charged off \$26,700	Cass
Dakota Fresh	Casselton	4/23/96	50,000	RRLF	Debt		Cass
First Bank	Fargo	10/22/96	100,000		Grant		Cass
IC System	Fargo	9/24/96	90,000		Debt		Cass
IC System	Fargo	9/24/96	37,500		Grant		Cass
Marvin Windows	Fargo	7/26/96	500,000		Debt		Cass
Marvin Windows	Fargo	8/7/96	100,000		Grant		Cass
Mid-America Aviation	Fargo	10/29/92	200,000		Equity		Cass
Mid-America Aviation	Fargo	10/30/92	30,000		Equity		Cass
ND Housing & ED/MAA	Fargo	7/24/92	34,000		Debt	Charged off \$1,274	Cass
Phoenix International	Fargo	11/25/91	300,000		Equity	Paid off	Cass
R. Blajszczak / D Russell	Fargo	7/23/98	53,754		Debt	Paid off	Cass
R&S Casework	Fargo	5/11/98	65,000		Debt		Cass
RCB Baking	Fargo	9/17/97	100,000		Debt	Charged off \$100,000	Cass
RSA Building	Fargo	9/15/93	120,000		Debt		Cass
RWA Properties	Fargo	9/1/98	175,000		Debt		Cass
SEI	Fargo	9/28/94	329,714		Debt		Cass
N.American Bison Coop.	New Rockfor	4/19/96	300,000	RRLF	Debt		Eddy
AgGrow Oils	Carrington	10/3/97	300,000	RRLF	Debt		Foster
AgGrow Oils	Carrington	9/1/98	200,000	RRLF	Debt		Foster
Dakota Pasta	Carrington	10/28/92	700,000		Equity		Foster
Lake Aid Systems	Carrington	4/30/93	100,000		Equity		Foster
Lake Aid Systems	Carrington	10/7/94	100,000		Debt		Foster
LAS International	Carrington	10/1/98	40,000		Debt		Foster
Aatrix Software	Grand Forks	7/31/92	300,000		Equity		Grand Forks
AgPark LLC	Grand Forks	5/28/98	500,000		Debt		Grand Forks
AGSCO	Grand Forks	10/1/97	200,000		Debt-Disaster		Grand Forks
American Woods	Grand Forks	9/29/97	200,000		Debt-Disaster		Grand Forks
Associated Potato Growers	Grand Forks	11/3/97	200,000		Debt-Disaster		Grand Forks
Biodigester Technologies	Grand Forks	12/24/97	200,000		Equity-Disaster		Grand Forks
Blue ThunderHawks	Larimore	12/23/98	16,100	RRLF	Debt		Grand Forks
Cirrus Design Corp.	Grand Forks	5/10/96	500,000		Equity		Grand Forks
Cirrus Design Corp.	Grand Forks	8/31/98	500,000		Equity		Grand Forks
GF Truss	Grand Forks	7/9/97	150,000		Debt-Disaster		Grand Forks
GFG Foodservice Inc.	Grand Forks	5/22/95	67,500		Grant		Grand Forks
GFG Foodservice Inc.	Grand Forks	6/29/95	100,000		Debt		Grand Forks
Infrared Technologies	Grand Forks	12/10/92	140,000		Equity	Charged off \$140,000	Grand Forks
Philadelphia Macaroni	Grand Forks	12/2/97	200,000		Debt-Disaster		Grand Forks
Pribbs Steel	Grand Forks	1/2/98	250,000		Debt		Grand Forks
Pribbs Steel	Grand Forks	12/18/98	200,000		Debt		Grand Forks
Red River Trading	Grand Forks	1/23/95	30,000		Grant		Grand Forks
Red River Trading Co.	Grand Forks	2/28/95	30,000		Debt	Charged off \$30,000	Grand Forks

North Dakota Development Fund Projects As of 12/31/98

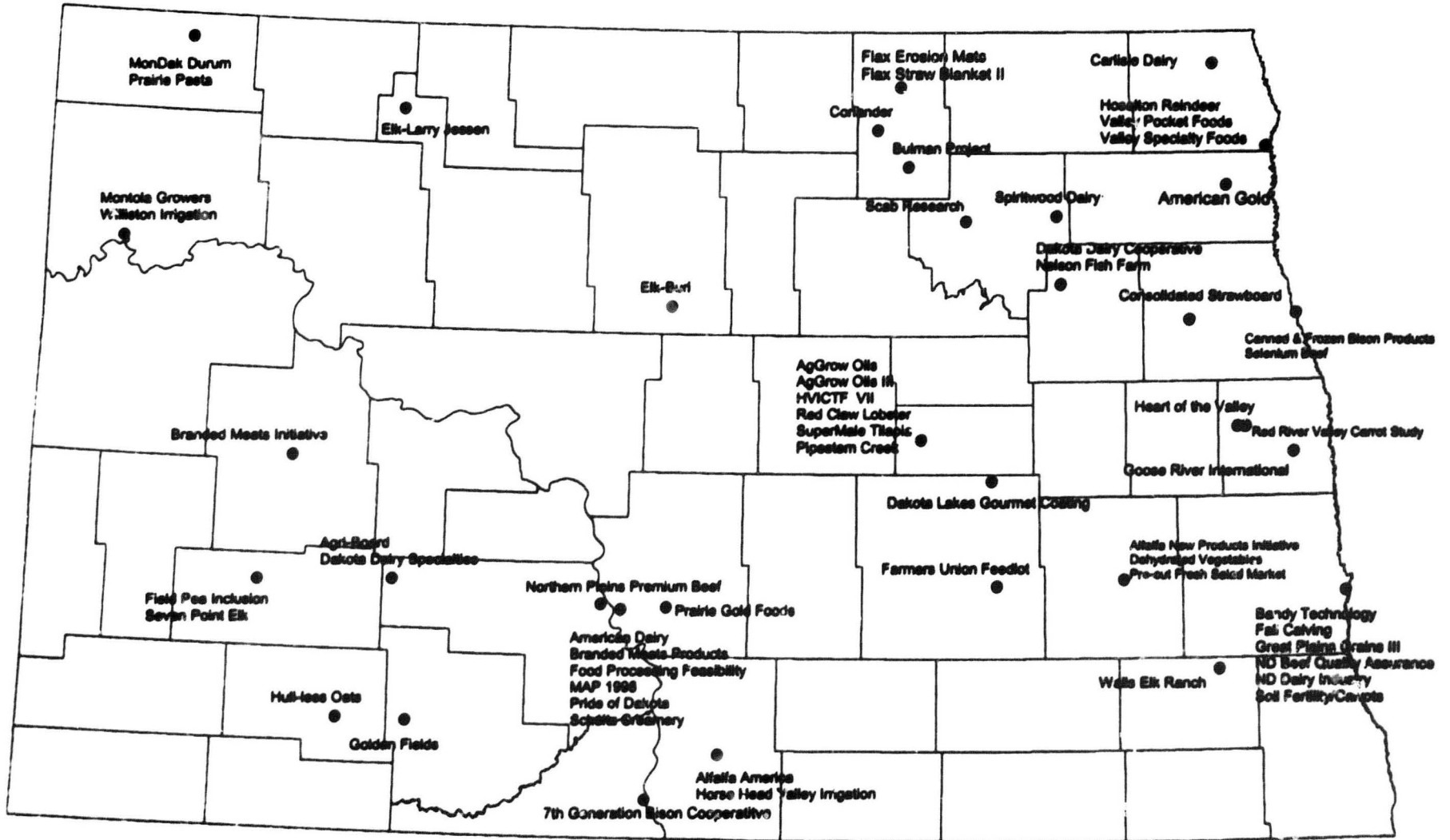
Company	Location	Invest Date	Invest Amount	Fund Type	Status	County
Residual Materials	Grand Forks	9/8/97	200,000	Debt-Disaster		Grand Forks
TAG	Grand Forks	7/16/90	75,000	Equity		Grand Forks
TAG	Grand Forks	10/9/91	225,000	Equity		Grand Forks
Young Manufacturing	Grand Forks	7/10/97	100,000	Debt-Disaster		Grand Forks
ADE	Regent	9/11/92	50,000	Equity	Charged off \$50,000	Hettinger
ADE	Regent	1/4/93	25,000	Equity	Charged off \$25,000	Hettinger
ADE	Regent	10/27/93	43,000	Debt	Charged off \$37,769	Hettinger
Buffalo Commons	Mott	7/31/96	120,000	RRLF Debt		Hettinger
Orbtech	Steele	5/24/95	10,000	Grant		Kidder
Fisher Flying Products	Edgeley	3/9/95	45,000	RRLF Debt-TTI		LaMoure
Precision Fiberglass	Edgeley	6/12/92	250,000	Equity	Charged off \$250,000	LaMoure
Precision Fiberglass	Edgeley	9/24/93	20,000	Debt	Charged off \$20,000	LaMoure
All-In-One Products	Watford City	2/27/95	95,000	RRLF Debt		McKenzie
TRJ Enterprises	Watford City	11/18/96	57,500	RRLF Debt		McKenzie
Bio Sunn	Garrison	10/27/93	100,000	Debt	Paid off	McLean
Brite Flite	Hazen	3/10/94	30,000	RRLF Debt		Mercer
Noble Dev. Corp.	Hazen	1/8/96	300,000	RRLF Equity		Mercer
Noble Dev. Corp.	Hazen	5/18/98	100,000	RRLF Equity		Mercer
Noble Development	Hazen	3/18/96	95,000	Grant		Mercer
Noble Games	Hazen	7/3/96	37,500	RRLF Debt		Mercer
Oster, E. United Test	Hazen	6/22/94	5,000	RRLF Debt		Mercer
Roger Rasch	Hazen	8/26/94	2,880	RRLF Debt-TTI		Mercer
TRJ Enterprises	Hazen	1/13/95	26,000	RRLF Debt		Mercer
Chief's Choice	Mandan	8/15/94	175,000	Equity	Charged off \$175,000	Morton
Dacco, Inc.	Hebron	4/29/98	400,000	RRLF Debt		Morton
Dakota Dairy	Hebron	9/27/96	130,000	RRLF Debt		Morton
Dakota Dairy	Hebron	6/15/98	156,250	RRLF Debt		Morton
Flasher Dev. Corp	Flasher	5/31/96	24,000	RRLF Equity		Morton
Leingang, Al	Mandan	7/21/95	111,000	Debt		Morton
N. Plains Premium Beef	Mandan	2/3/97	100,000	Debt	Paid off	Morton
NCDC	Mandan	7/31/96	300,000	Debt		Morton
North Plains Premium Beef	Mandan	4/23/97	25,000	Debt		Morton
Tech Rom Libraries	Mandan	7/22/93	75,000	Equity	Charged off \$75,000	Morton
Q&R Processing	Tolna	8/8/94	75,000	RRLF Equity	Charged off \$75,000	Nelson
Bandy Technology	Walhalla	3/6/97	50,000	RRLF Debt-TTI		Pembina
Drayton Grain Processors	Drayton	4/18/96	300,000	RRLF Debt		Pembina
Drayton Grain Processors	Drayton	8/14/98	240,000	RRLF Debt		Pembina
FSP, Inc.	Walhalla	2/9/94	150,000	Debt		Pembina
Harvest Fuel	Walhalla	2/21/97	100,000	RRLF Debt		Pembina
Harvest Fuel	Walhalla	9/11/92	75,000	Equity		Pembina
QMAS	Walhalla	8/6/94	150,000	Equity		Pembina
Robodyne	Rugby	1/19/93	300,000	Equity		Pierce
Robodyne	Rugby	3/5/98	19,737	Debt		Pierce
Dakota Medical Lab.	Ft. Totten	3/5/96	21,600	RRLF Debt-TTI	Charged off \$21,600	Ramsey
Edmore Dev. Corp.	Edmore	5/27/94	80,000	RRLF Equity	Charged off \$80,000	Ramsey
Harvey Nordin	Devils Lake	3/13/95	5,000	RRLF Debt-TTI		Ramsey
NYTAF Industries	Edmore	2/24/95	125,000	RRLF Debt	Charged off \$125,000	Ramsey
NYTAF Industries	Edmore	3/10/94	25,000	RRLF Debt	Charged off \$24,934	Ramsey
Pugsley's	Devils Lake	3/8/94	200,000	RRLF Debt		Ramsey
Pugsley's	Devils Lake	1/12/96	100,000	RRLF Debt		Ramsey
Mightylite	Hankinson	12/21/92	300,000	Equity	Charged off \$300,000	Richland
International Peace Garden	Rolla	9/1/98	20,000	RRLF Debt		Rolette
Microlap Technologies	Rolla	12/18/96	300,000	Debt	Paid off	Rolette
Microlap Technologies	Rolla	6/11/98	36,248	RRLF Debt		Rolette
Rolla JDA	Rolla	1/30/98	50,000	RRLF Debt		Rolette
Turtle Mountain Mfg.	Belcourt	8/31/92	307,000	Debt		Rolette
Kirschmann Mfg.	McClusky	1/28/94	163,000	RRLF Equity	Charged off \$163,000	Sheridan
Kirschmann Mfg.	McClusky	4/7/93	150,000	Equity	Charged off \$150,000	Sheridan
Kirschmann Mfg.	McClusky	6/17/93	150,000	Equity	Charged off \$150,000	Sheridan
FACT	Ft. Yates	7/16/93	60,000	Debt	Charged off \$37,000	Sioux
FACT	Ft. Yates	9/20/93	17,000	Debt	Charged off \$14,500	Sioux
Baker Boy Bake Shop	Dickinson	8/21/96	67,500	Debt		Stark
Reiter Welding	Dickinson	3/16/98	25,000	Debt		Stark
Reiter Welding	Dickinson	10/21/98	80,000	Debt		Stark
Steffes & Son	Dickinson	9/19/96	67,490	Debt		Stark
Steffes ETS	Dickinson	9/19/96	282,510	Debt		Stark

North Dakota Development Fund Projects As of 12/31/98

Company	Location	Invest Date	Invest Amount	Fund Type	Status	County
Mid-America Aviation	Finley	6/12/92	36,000	Equity		Steele
Aviko USA LLC	Jamestown	9/15/95	300,000	Equity		Stutsman
Buffalo City Wood Prod.	Jamestown	9/20/93	50,000	Equity		Stutsman
Glenmac	Jamestown	1/31/96	300,000	Debt		Stutsman
Hydrobikes	Jamestown	8/29/92	300,000	Equity		Stutsman
Hydrobikes	Jamestown	1/30/95	175,000	Equity		Stutsman
Integra	Cando	10/18/94	600,000	Debt		Towner
Heart of Valley	Portland	9/23/94	50,000	RRLF Debt-TTI		Trail
Mexican Village	Hillsboro	12/7/93	60,000	Equity		Trail
USA Technologies	Hillsboro	11/4/92	150,000	Equity	Charged off \$150,000	Trail
Alchem Limited	Grafton	5/28/98	350,000	RRLF Debt		Walsh
Dynamics Marketing	Grafton	12/30/96	125,000	RRLF Debt		Walsh
Harriston Industries	Minto	10/14/92	200,000	Equity	Paid off	Walsh
Harriston Industries	Minto	8/7/96	250,000	RRLF Debt		Walsh
N. Valley Potato Growers	Hoopla	7/30/97	300,000	RRLF Debt		Walsh
Shea Technologies	Park River	12/15/97	250,000	Debt		Walsh
Banton Industries	Minot	5/23/94	140,000	Equity	Charged off \$140,000	Ward
Banton Industries	Minot	2/15/95	50,000	Debt	Charged off \$50,000	Ward
Image, Inc.	Minot	3/4/94	25,000	Grant		Ward
Kenmare Economic Dev.	Kenmare	2/13/95	15,000	Grant		Ward
L&S Feist Family LLP	Minot	9/11/95	300,000	Debt		Ward
ND Envelope Co.	Kenmare	10/26/94	125,000	RRLF Debt		Ward
Oral Logic	Minot	7/20/93	200,000	Debt	Paid off	Ward
Oral Logic	Minot	4/6/92	300,000	Equity	Charged off \$300,000	Ward
Oral Logic	Minot	12/10/92	100,000	Equity	Charged off \$100,000	Ward
Pro Entry	Kenmare	3/2/92	15,000	Debt	Charged off \$11,983	Ward
Pro Entry	Minot	3/2/92	15,000	Debt	Charged off \$11,988	Ward
Sawyer Beef	Sawyer	9/7/90	50,000	Equity		Ward
InstaScreen	Harvey	7/29/93	80,000	Debt	Charged off \$18,134	Wells
NuGrain	Harvey	2/14/95	275,000	RRLF Equity		Wells
NuGrair	Harvey	3/4/94	200,000	Equity		Wells
TJ Manufacturing	Harvey	3/31/94	40,000	RRLF Debt	Charged off \$35,930	Wells
Allen Falcon	Williston	7/13/98	2,797	Debt		Williams
Ames Mfg.	Williston	12/31/92	300,000	Equity		Williams
Dakota Catalyst	Williston	4/9/92	300,000	Equity	Charged off \$300,000	Williams
Dakota Catalyst	Williston	12/29/93	250,000	Equity	Charged off \$250,000	Williams
Falcon Fiberglass	Williston	2/1/95	42,500	Debt	Charged off \$37,500	Williams
Foam Technologies	Williston	8/9/94	70,000	Debt	Charged off \$60,000	Williams

25,828,440

# Location of APUC-Sponsored projects 1997 - 1999 Biennium



December 1998

APUC

Agriculture Production Utilization Commission

Project #	Project Title	Basic Research	Marketing	Coop Marketing	Farm Diversification	Prototype Development	
06600-01	Pride of Dakota		20,000.00				
06600-02	MonDak Durum			26,630.00			
06600-03	Wheat Based Coating		10,200.00				
06600-04	Agri-Board			25,000.00			
06600-05	Dehydrated Veggies	10,000.00					
06600-06	Dried Florals		3,000.00				
06600-07	Supermale Tilapia	7,000.00					
06600-08	Red Claw Lobster	5,000.00					
06600-09	Heart of the Valley		13,375.00				
06600-10	Selenium Beef	21,000.00					
06600-11	Elk - Walls				5,000.00		
06600-12	7th Generation Bison				5,000.00		
06600-13	Golden Fields				4,800.00		
06600-14	Dakota Dairy, Lakota			29,500.00			
06600-15	RR Valley Carrot	20,000.00					
06600-16	Bison Products	18,000.00					
06600-17	Great Plains Grain III		12,000.00				
06600-18	Prairie Gold Foods				4,800.00		
06600-19	Brandy Technology					25,000.00	
06600-20	Williston Irrigation	80,000.00					
06600-21	Soil Fertility/Carrots	10,000.00					
06600-22	MAP 1998		10,000.00				
06600-23	AgGrow Oils III		50,000.00				
06600-24	HVICTF VII		10,000.00				
06600-25	Dakota Dairy Specialties		46,462.50				
06600-26	Flax Erosion Mats	8,890.00					
06600-27	Consolidated Strawboard	Balance Transferred from 1995-97 budget					
06600-28	Pre-Cut Fresh Salad	27,300.00					
06600-29	Branded Meats Products		32,750.00				
06600-30	Scab Research	40,000.00					
06600-31	Carlisle Dairy		19,215.00				
06600-32	ND Dairy Industry		54,500.00				

## Agriculture Production Utilization Commission

Project #	Project Title	Basic Research	Marketing	Coop Marketing	Farm	Prototype
					Diversification	Development
06600-33	Farmers Union Feedlot			40,000.00		
06600-34	Coriander				5,000.00	
06600-35	Hoselton Reindeer				5,000.00	
06600-36	Nelson Fish Farm				5,000.00	
06600-37	7-Point Elk				5,000.00	
06600-38	Flax Straw Blanket II	30,000.00				
06600-39	Montola Growers			52,744.00		
06600-40	Spiritwood Dairy				10,000.00	
06600-41	Field Pea Inclusion	35,400.00				
06600-42	Prairie Pasta			120,000.00		
06600-43	Schultz Creamery		70,000.00			
06600-44	American Dairy		62,000.00			
06600-45	Beef Quality Assurance		19,500.00			
06600-46	Food Processing Feasibili	25,000.00				
06600-47	Market Development & Test		30,000.00			
06600-48	Branded Meat Initiative			48,485.00		
06600-49	Alfalfa New Products		20,000.00			
06600-50	Horse Head Irrigation	35,000.00				
06600-51	Nelson Elk Boarding				5,000.00	
06600-52	Bison/Pasta		152,285.00			
06600-53	Schepp's Dakota Deli		15,000.00			
06600-54	Western Star Dairy			10,000.00		
06600-55	Potato Pivot Irrigation	40,000.00				
06600-56	Golden Valley Elk Ranch		25,000.00			
06600-57	AIM System					50,000.00
06600-58	Utilizing Hull-Less Oats	14,550.00				
06600-59	Dakota Beef Development			20,000.00		
	TOTALS	\$ 426,940.00	\$ 675,287.50	\$ 372,329.00	\$ 54,600.00	\$ 75,000.00

**PERFORMANCE MEASURES**

**601 DEPT OF ECONOMIC DEVELOPMENT & FINANCE**

**Biennium: 1999-2001**

Page: 40 of 51

Date: 12/2/1998

Time: 12:42:24

1999 - 2001 Requested	1999 - 2001 Recommended
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**Program: ED&F OPERATIONS (01-01)**

**Program Objective:** Provide strategic direction and quality services that stimulate and support local economic growth and diversity.

**Outcome Measures:**

101 Number of targeted primary sector ND business where increases in investment are made to improve productivity	200.00	200.00
102 Percent of increase in the number of targeted primary sector businesses operating in ND each year	0.14	0.14
103 Percent of business clients who feel that the services provided to them by ED&F meet or exceed their expectations	0.95	0.95
104 Percent of professional developers/community clients who feel services provided to them by ED&F meet or exceed their expectations	0.95	0.95

**Strategy: ADMINISTRATION & SUPPORT (01)**

**Strategy Statement:** Provide for the management and development of the agency's financial, human and information resources as well as provide administrative support services to other agency divisions.

**Output Measures:**

301 Survey and interview staff to determine satisfaction with the agency's financial, information and personnel management systems and support services	4.00	4.00
302 Number of staff involved in agency training and personnel development	29.00	29.00
303 Number of agency strategic planning meetings	4.00	4.00
304 Number of performance evaluations conducted to assess external client satisfaction	24.00	24.00

**Strategy: STATE & LOCAL DEVELOPMENT (02)**

**Strategy Statement:** Provide education and services that focus on developing greater state and local capacity in economic development to business and community leaders, professional developers and stakeholders.

**Output Measures:**

301 Number of state partners and stakeholders receiving economic development education & training	350.00	350.00
302 Number of professional developers, volunteers and community leaders receiving economic development education & training	350.00	350.00
303 Number of collaborative partnerships supported among local development groups	25.00	25.00



**PERFORMANCE MEASURES**

**601 DEPT OF ECONOMIC DEVELOPMENT & FINANCE**

**Biennium: 1999-2001**

Page: 41 of 51

Date: 12/2/1998

Time: 12:42:24

1999 - 2001 Requested	1999 - 2001 Recommended
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**Strategy: RESEARCH & INTELLIGENCE (03)**

**Strategy Statement:** Assess the state's capacity and competitive position, track competitors and new opportunities. Provide research services to support economic development decision making.

**Output Measures:**

301 Number of business clients provided research and information services	250.00	250.00
302 Number of local developers provided research and information services	60.00	60.00
303 Number of state partners and stakeholders provided research and information services	250.00	250.00

**Strategy: BUSINESS DEVELOPMENT (04)**

**Strategy Statement:** Assist state/regional/local efforts to create successful investment outcomes through targeted marketing efforts and by serving the needs of existing and new businesses that generate new wealth for the state.

**Output Measures:**

301 Number of business clients provided assistance in developing new investment outcomes	700.00	700.00
302 Number of local developers provided assistance in securing new business investment	60.00	60.00
303 Number of state partners and stakeholders provided assistance and/or engaged in developing new opportunities	250.00	250.00

**Strategy: BUSINESS DEVELOPMENT (05)**

**Strategy Statement:** UNDERSERVED - Provide leadership, resources and coordination directed toward the further development and expansion of Native American and women's businesses in the state.

**Output Measures:**

301 Number of business clients provided assistance in developing new investment outcomes	200.00	200.00
302 Number of local developers provided assistance in securing new business investment	50.00	50.00
303 Number of state partners and stakeholders provided assistance and/or engaged in developing new opportunities	60.00	60.00

**Strategy: FUNDING SOURCES (06)**

**Strategy Statement:** Assist state/regional/local efforts to create successful investment outcomes by providing financial services that meet the needs of existing & new businesses that generate wealth for ND; assist entities in conducting project research & other due diligence

**Output Measures:**

301 Number of business clients provided with project financing	160.00	160.00
302 Number of local developers provided assistance with financial services including project research and due diligence	50.00	50.00

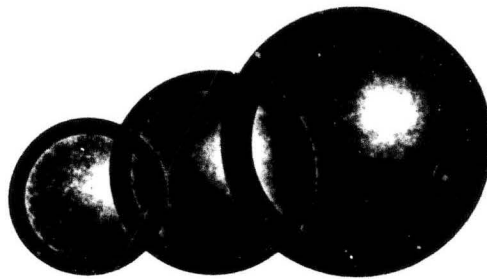
February 1, 1999

**Current Status of Communication Ports at ED&F**

It has been noted that there are 39 data communications ports ED&F is being charged for. In addition to one for each full time ED&F staff person (28) here are how the additional ports are used:

Fraine Zeitler (Director - ND Workforce Development)	1
Temporary Support Staff (APUC, Network & Data Support)	3
Network Servers	2
Network Printers	5

# **Enhancing Growing North Dakota A Progress Report**



**FORGING A LINK  
TO THE FUTURE**

**It's time for us to forge  
a link between government,  
education and the private sector. . .  
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North Dakota Department of Economic Development & Finance  
1833 East Bismarck Expressway  
Bismarck, N.D. 58504-6708

Phone: (701) 328-5300  
Fax: (701) 328-5320  
Internet Site: <http://www.growingnd.com>



**GROWING**  
North Dakota

## Memorandum

**To:** Dave Krabbenhoft, Office of Management & Budget  
**CC:** Lavonne Stair, Administrative Services Coordinator  
**From:** Randy Schwartz, Deputy Director  
**Date:** 01/29/99  
**Re:** Response to Legislative Request for Information

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**Dave:** In response to your request (on behalf of the Legislature) we have prepared the following information. Feel free to contact LaVonne or myself with any questions you might have.

### **Current Biennium Grants - \$1,313,141**

These grants are noted as a line item in the agency's budget for this biennium. The enclosure, Grant History to Date, shows grants committed, paid and remaining balance to pay. The enclosure lists grants to:

- (1) External service providers (i.e. Regional Councils, SBDC, PTAC) These grants are provided as contracts for services.
- (2) Entrepreneurial and underserved grants (Mini-grants, Women's Business, Native American) These are grants that help to underwrite costs for start-up businesses – requirements include matches.
- (3) Miscellaneous (Operation Back Home, ACE NET, International Trade Shows)

### **General Allocation Grants - \$695,690** (Emergency Commission transferred \$30,000 to equipment)

These grants are at the Director's discretion. They are used to support a variety of state and local community and economic development efforts – as need arises throughout the biennium. The enclosure, General Allocation Grants, shows grants committed, paid and remaining balance to pay.

Grants Line

<b>GRANT HISTORY TO DATE 97-99 Biennium</b>			
	<b>COMMITTED</b>	<b>PAID</b>	<b>BAL. TO PAY</b>
<b>COMMUNITY DEVELOPMENT</b>			
<b>Regional Councils</b>			
Staff support	442,320.00	308,270.81	134,049.19
Mini-grants, yr. 1	118,000.00	118,000.00	0.00
Mini-grants, yr. 2	80,000.00	80,000.00	0.00
<b>Total Regional Council grants</b>	<b>638,320.00</b>	<b>504,270.81</b>	<b>134,049.19</b>
<b>OPERATION BACK HOME</b>	<b>8,000.00</b>	<b>1,250.00</b>	<b>6,750.00</b>
<b>YOUTH INCENTIVE GRANTS</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>0.00</b>
<b>ADMINISTRATION &amp; MARKETING</b>			
SBDC	384,821.00	187,961.15	196,859.85
SBDC, PTA	43,920.00	23,204.55	20,715.45
ACE NET, Center for Innovation, UND	20,000.00	20,000.00	0.00
N.D. Lewis & Clark Bicentennial Found, Inc.	25,000.00	25,000.00	0.00
City of Walhalla	5,000.00	5,000.00	0.00
Lake Agassiz - Vegetable Task Force (Mktg)	2,500.00	2,500.00	0.00
			0.00
<b>TOTAL ADMINISTRATION</b>	<b>481,241.00</b>	<b>263,666.70</b>	<b>217,574.30</b>
<b>WOMEN'S BUSINESS INCENTIVE GRANTS</b>	<b>52,000.00</b>	<b>48,267.00</b>	<b>3,733.00</b>
<b>NATIVE AMERICAN</b>	<b>27,800.00</b>	<b>27,425.00</b>	<b>475.00</b>
<b>INTERNATIONAL TRADE</b>	<b>15,000.00</b>	<b>10,511.40</b>	<b>4,488.60</b>
<b>TOTALS:</b>	<b>1,224,061.00</b>	<b>855,389.91</b>	<b>368,671.09</b>
<b>TOTAL GRANTS LINE ITEM APPROPRIATION</b>	<b>1,313,141.00</b>		
<b>Total expenditures to date</b>	<b>855,389.91</b>		
<b>Balance of appropriation</b>	<b>457,751.09</b>		
<b>Unpaid balance committed</b>	<b>368,671.09</b>		
<b>BALANCE AVAILABLE</b>	<b>89,080.00</b>		
I:\shared\cost\grnts\759.xlsx(sheet1)			
Check figure			<b>368,671.09</b>

GA Grants

GENERAL ALLOCATION GRANTS		Rev. 4/9/96		
97-99 Biennium		Committed	Paid	Bal. to Pay
<b>G.A. Grants Line Item Total</b>				<b>725,690</b>
Emergency Commission transfer to Equipment				-30,000
<b>GA Grants Available</b>				<b>695,690</b>
<b>G.A. Grants Committed</b>				
* Rocky Mtn. Intl. - See Tourism Approp. bill	148,336	111,252	37,084	
Nesson Valley Irrigation District	3,000	3,000	0	
SBIR Outreach program (Gjovig)	15,000	15,000	0	
Flasher Development Corp.	1,850	1,850	0	
Committee on the Status of Women	9,700	9,700	0	
Fluor Daniel Contr. - EGND Workshops, 7/97	32,500	32,500	0	11/24/97 J.
MTP (TTI) (fee for services)	40,000	8,840	31,160	
One Stop Capitol Center	25,000	5,267	19,733	
Limited Resources Area Proj. (Hwy 21 Proj.)				
1. Hettinger Cnty JDA thru Roos.Cstr. R.C.	15,000	10,000	5,000	Final prnt. o
2. Grant County added in 97-99 bien.	15,000	10,000	5,000	Are there a
Burke-Divide Limited Res. Area grant (NW Jobs Dev.Auth.)	35,000	20,000	15,000	\$10,000 com
REAP commitment (Requires \$25,000 match)	25,000		25,000	
Hazen Comm. Dev.	500		500	
Terry Fischer, Harvey	10,000	10,000	0	
Devils Lake Dev. Corp. (Dakota Aero Mfg.)	50,000	50,000	0	
Bis.-Mdn. Dev. Assn	24,000	24,000	0	
Lockwood Greene, D. Koltzow facilitation 6/17-18, 98	4,500	4,500	0	
Hazen Comm. Dev. (AEDC Conf. Assist.)	1,000		1,000	
Ag Dept. - AACO Conference	250	250	0	
Drayton Grain Processors	100,000	100,000	0	
Medical Arts Press - Tri County	12,000	5,000	7,000	
Oaks Compact Disk	25,000	25,000	0	
IDA	1,000	1,000	0	
Stark Dev. Corp - Labor Force Survey	5,000	5,000	0	
WFD - Childcare Resource and Referral	1,000	1,000	0	
Minot Area Dev. Corp - Relistar	10,000	10,000	0	
Lockwood Greene - target industries	13,000	6,000	7,000	
Lockwood Greene - marketing plan	10,800	4,800	6,000	
<b>TOTAL</b>	<b>633,236</b>	<b>473,789</b>	<b>159,477</b>	
<b>TOTAL G.A. GRANTS COMMITTED</b>				<b>633,236</b>
<b>BALANCE OF G.A. GRANTS</b>				<b>62,454</b>
*Rocky Mtn. Intl. - Eight payments during bien., \$18,542 each.				
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February 1, 1999

### Next Biennium – Estimated Travel Expenses for ED&F

During the current biennium, ED&F has been undergoing a reorganization of agency functions and staff in order to accomplish its mission and strategic plan through the current biennium and into the next. The most important changes are:

- (1) Developing a business and workforce division that consists of project managers (responsible for working with communities to develop targeted primary sector business opportunities) including International Development and the ND Workforce Development Council.
- (2) Developing a research and intelligence capability that can assist communities and supports the business and workforce division.

Attached is a copy of the agency organizational chart along with agency outcomes as provided with the agency's original proposed budget. This chart and the outcomes have not been adjusted to reflect the Governor's proposed budget for the agency.

Individuals in the business and workforce division are expected to work extensively outside the office with business clients and communities. That work includes assisting developers in expanding in-state business investment, starting up new firms and attracting businesses from outside the state. The state also has a responsibility to participate in developing international opportunities with communities. During this current biennium, the travel amount is not nearly as high for the agency since project managers have only been on board for about 20% of the biennium to date.

Due to old programs (and staff) that are still in place, the research division has not fully developed. Once in place staff in this division will need to travel (in-state business visitations, working with existing developers/communities) and conducting research out-of-state (i.e. business visitations, trade-shows, etc.).

Listed below is the current agency budget for travel for the current biennium, the amount that ED&F proposed for next biennium and reductions which reflect the Governor's proposed budget. (The Governor's proposed budget decreased the agency's operating expenses about 25% and moved much of that funding to support grants to external service providers.)

The ED&F budgeted amount for next biennium does not include the travel for the Workforce Development Council (not part of current ED&F budget); the Development/Rural Funds, Agricultural Products Utilization Commission, the Rural Development Council (federal funds). In the Governor's proposed budget travel by the Workforce Development Council would also have come from the \$264,056.

	Current Budget	ED&F Budgeted Next Biennium	Gov Proposed Next Biennium
<b>Total of Agency</b>	<b>\$202,069</b>	<b>\$352,075</b>	<b>\$264,056</b>
<b>Agency Divisions</b>			
Administration & Support	\$32,764	\$49,650	\$37,237
State & Local Collaboration	\$40,050	\$45,752	\$34,314
Research & Information	\$10,960	\$45,323	\$33,992
Business & WF Development	\$118,295	\$211,350	\$158,513

**Out-of-State Travel – Kevin Cramer – July 1, 1997 – January 31, 1999****November 10, 1997**

**Chicago – Attended MAEDC Conference**  
**Expenses - \$340.00**  
**Air fare - \$459.00**

**March 6, 1998**

**Minneapolis – Attended MAEDC Board Mtg**  
**Expenses - \$53.60**  
**Air fare - \$443.00**

**May 11, 1998**

**Indianapolis – Attended Midwest Governor's Assn. Coop. Council**  
**Expenses - \$239.05**  
**Air fare - \$378.00**

**June 22, 1998**

**Washington, DC – Presentation to Reliastar in Mpls and meeting with SBA in DC**  
**Expenses - \$519.41**  
**Air fare - \$1448.00**



**Out-of-State Travel – Randy Schwartz – July 1, 1997 – January 31, 1999**

**May 13, 1998**

**Cedar Rapids – Visitation to Kirkwood Community College**  
Expenses - \$34.00  
Air fare - \$315.33

**May 31, 1998**

**Seattle – Attended ACCRA and NASDA Conferences**  
Expenses - \$1982.12  
Air fare - \$454.00

**Out-of-State Travel – Dean Reese – July 1, 1997 – January 31, 1999****July 24 – 25, 1997**

**Duluth, MN – Attended Cirrus Industries shareholders meeting**  
Expenses - \$138.60  
Air fare - \$526.00

**October 21 – 26, 1997**

**Santa Fe, NM – Attended Conference of State Sponsored Seed and Venture Funds**  
Expenses - \$851.88  
Air fare - \$516.00

**February 9, 1998**

**Sioux City, Iowa – Met with representatives of Sioux City Brick Company**  
Expenses - \$152.52  
(Rode with representatives of First Bank, Fargo)

**April 25 – May 1, 1998**

**San Francisco, CA – Attended the National Venture Capital Association annual convention.**  
Expenses - \$1651.81  
Air fare - \$ 350.50

**May 2 – 7, 1998**

**Portland, OR – Attended RMA sponsored classes on uniform credit analysis and cash flow analysis.**  
Expenses - \$717.73  
Air fare - \$450.50

**July 29 – August 2, 1998**

**Oshkosh, WI – Attended Oshkosh Air Show in conjunction with Cirrus Industries meeting.**  
Expenses - \$221.00  
Air fare - \$376.00

Dean Reese Continued

September 12 - 17, 1998

Atlanta, GA - Attended a National Venture Capital Seminar on equity financing  
Expenses - \$605.80  
Air fare - \$369.00

October 2 - 4, 1998

Albuquerque, NM - Met with Southwest Tire Processors at New Mexico plant  
with officials from Linton, ND. Potential new business  
for Linton  
Expenses - \$284.00  
Air fare - \$435.00

**Out-of-State Travel – John VanMiddlesworth – July 1, 1997 – January 31, 1999****September 29, 1997**

**Kansas City – Attended Health Care and Community Economic Development Linkages Conference**

**Expenses - \$315.00**

**Air fare - \$720.00**

**October 12, 1997**

**New York – Client visits with Dick Olson**

**Expenses - \$810.49**

**Air fare - \$1391.00**

**March 23, 1998**

**Aberdeen – Visit the Videca Technology Center and CERA grant**

**Motor Pool - \$107.80**

**April 18, 1998**

**Tampa, FL – Aviation Tradeshow**

**Expenses - \$395.10**

**Air fare - \$721.00**

**June 2, 1998**

**Rapid City – CERA Grant**

**Expenses - \$9.00**

**Motor Pool - \$121.40**

**Out-of-State Travel - Jody Link - July 1, 1997 - January 31, 1999**

**June 20, 1998**

**Atlanta - Attended International Food Technology tradeshow**

**Expenses - \$948.82**

**Air fare - \$466.50**

**Out-of-State Travel - Chuck Fine - July 1, 1997 - January 31, 1999****October 22, 1997**

Boise - Corporate visitations  
Expenses - \$506.48  
Air fare - \$504.00

**November 12, 1997**

Ontario & San Diego - Attended national tradeshow for metal coatings industry  
and International Development Research Council tradeshow  
Expenses - \$1214.69  
Air fare - \$437.00

**January 13, 1998**

Portland - Meetings with clients, NW Food Processors meeting and EGND  
targets  
Expenses - \$1696.24  
Air fare - \$490.00

**May 6, 1998**

Boise - Corporate visitations with Minot Area Dev. Corp.  
Expenses - \$542.67  
Air fare - \$781.00

**June 17, 1998**

South Carolina & Atlanta, Georgia - Client visitations in SC, AL & GA and  
International Food Technology Expo  
Expenses - \$1745.86  
Air fare - \$451.00

**September 29, 1998**

Minneapolis - Midwest Contract Mfg. Assn. Tradeshow and industry visits  
Expenses - \$240.76  
No Mileage

## Chuck Fine Continued

October 7, 1998

Chicago – Corporate visits with Bismarck-Mandan Dev. Corp.

Expenses - \$442.81

Air fare - \$407.00

November 1, 1998

San Antonio – International Development Research Council

Expenses - \$611.43

Air fare - \$469.30

November 16, 1998

Las Vegas – Comdex Tradeshow

Expenses - \$1407.60

Air fare - \$308.70

January 16, 1999

Portland – Northwest Food Processors Assn. Meeting

Expenses - \$858.90

Air fare - \$424.00

**Out-of-State Travel - LaVonne Stair - July 1, 1997 - January 31, 1999**

**No Travel**



**Mr. Chairman, committee members, my name is Grace Wilkie-Youngbird. I am one of the owners of Blue ThunderHawks, Inc., a textile manufacturing (cut-and-sew) company located in Larimore, North Dakota. My sister, Corrine and I are here to support the Department of Economic Development and Finance budget proposal.**

**Eleven brothers and sisters own blue ThunderHawks, with six working actively in the business. We started our business 2½ years ago, beginning with star quilts as the primary product. In order to continue with our business, we have diversified by creating a line of women's garments and children's outerwear. We currently have a contract with Weber and Weber in Mandan to sew a line of clothing for patients in rehabilitation and a contract with a Minot company to sew 200 parkas.**

**We have struggled to keep the doors open. Our contracts have been sporadic, and we have worked at other jobs (seasonally and part-time) when there is no sewing to be done. It is important to our family, our children, brothers and sisters, that we succeed in this venture.**

**In April of 1998 we contacted the governor's office because we could see that we needed technical assistance. We had tried to work with several other service providers, but we were falling further behind instead of moving ahead. The Governor put us in touch with The Department of Economic Development and Finance, and we drove down to meet with the director of the Women's Business Development Program, Native American Program, and Development Fund. Within two weeks we had a computer, software, and enough technical assistance to get us moving in the right direction. The Department continues to work with us.**

**The Women's Business Program and The Native American Program partnered to pay for technical assistance, and their people (?) have spent countless hours working with us on technical issues, new products, and markets. When we have a new contract, we are able to borrow from The Development Fund to pay for labor and materials before our contractor pays us. The Development Fund has also loaned us the money to buy new machinery and equipment. With this assistance we have accomplished the following:**

- 1. Created a viable, up-to-date financial system**
- 2. Analyzed our production system to create a more accurate costing system**
- 3. Approached new markets**
- 4. Developed a new line**
- 5. Accessed new contracts**
- 6. Become friends with our banker**
- 7. Accessed funding from The ND Development Fund**
- 8. Purchased new machinery and equipment to allow us to diversify our product lines**

**We are still working to turn the corner, but we have help from The Department of Economic Development and Finance whenever we need it. Without the Women's Business Program, The Development Fund, and The Native American Program, we may well have been out of business.**

# Deer hunter in a fitting career

Personal experience led seamstress to create hunting clothes for women

LARIMORE (AP) — A deer hunter who also happens to be a seamstress, Shirley Casanova knew the difficulty of finding hunting clothes for women.

In the domain of outdoors apparel, it's still a man's world.

"I bought a snowmobile suit to wear on the farm, and the crotch was down to my knees and the sleeves were down to here," Casanova said, motioning several inches past the tips of her fingers.

"We're not built like men. Even though we may be as big around, we're shorter," she said.

The solution to that problem can be found in an old building in downtown Larimore, where Blue Thunderhawks Inc., a business owned by Casanova and 11 brothers and sisters, has begun turning out a full line of women's outdoors apparel.

Ranging from bibs to parkas to hunting vests, the clothing is available in duck, camo and blaze-orange patterns. Some of the styles are reversible, offering camo on one side and blaze-orange on the other.

The company name, Casanova says, reflects the family's Indian heritage. Andy Wilkie, Casanova's brother, is the company president. Casanova and her sister, Grace Wilkie-Youngbird, are vice presidents and other family members scattered across the country are investors.

"We started on men's hunting clothes and the women started asking, 'Can you make us something special?'" Casanova said. "The men's line is too big."

Taking ideas and suggestions from women outdoors enthusiasts has helped the company fine-tune its clothing line. Instead of noisy snaps or zippers, for example, the pockets on all of Blue Thunderhawks' hunting clothes have extra-long flaps, making them quieter in the field. The cuffs and beltlines have material that keeps burrs from sticking when walking through thick cover.

Casanova, who has more than 30 years of sewing experience, said she learned the craft from her mother while growing up near Cavalier. In a family of 12 children, sewing was a matter of necessity.

The new line of outdoors clothing has its roots in a company that first made Indian star quilts, Casanova said. About 2 1/2 years ago, she said, she started an alteration shop near Larimore.

Last year, the company landed a sewing contract with Midwest Parts Inc., a Minot company that specializes in military outdoors clothing. When MPI decided to do its own sewing, Casanova said, she and the rest of her family business partners decided to test the waters of the outdoors clothing market.

In addition to women's outdoors clothing, Casanova said, the company can produce men's snowmobile suits, hunting gear and insulated shirt jackets.

The clothing is especially popular among farmers and others who work outdoors, who don't want to shell out big bucks for the decked-out, name-brand snowmobile suits.



ASSOCIATED PRESS

**Shirley Casanova**, a partner in the Larimore-based Blue Thunderhawks Inc., shows off a jacket that is part of the company's full line of women's hunting clothes. Casanova, who hunts deer, says most outdoors clothes are designed for men.

"There's quite a bit of interest out there for any of the outdoor, more sturdy stuff," Casanova said. "People don't want to pay an arm and a leg for name-brand clothes to wear on the farm."

So far, the company is small, Casanova said — too small to handle the large sewing contracts many companies demand. At full production, the company can churn out up to 100 jackets a day, she said.

The Rural Economic Development Corp. of Bismarck and the U.S. Small Business Administration's Business Innovations Center in Grand Forks have provided the company with assistance ranging from low-interest loans to busi-

ness and marketing strategies.

With BIC's assistance, Blue Thunderhawks recently produced two catalog pages illustrating the company's full outdoor clothing line. The pages will be available for companies that sell outdoor clothing, Casanova said.

Plans also are in the works to market the clothing at sports shows in Bismarck, and down the road, maybe even shows in Fargo and the Minneapolis area.

"We're just getting (our product) known out there and we're still changing some things," Casanova said. "If customers have any suggestions, we'll take them."

HB 1019

March 4, 1999

1999 North Dakota  
Legislative Assembly  
Senate Appropriations Committee

Dear Senator,

I had intended to be in Bismarck to testify in person today, but due to circumstances beyond my control I cannot. Attached is an outline of the points I wanted to discuss with you. I appreciate your consideration in this matter and hope that your decision is to invest in North Dakota's future, by investing in NDDP.

Sincerely,

*Dean W. Gorder*  
Dean W. Gorder,  
President

To: Senator  
*Holsberg* —

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From  
*Dean Gorder*

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**ND Senate Appropriation Committee  
HB 1019 Economic Development & Finance  
Testimony by Dean Gorder, President  
Vector Training Systems, Grand Forks  
March 4, 1999**

**History**

- 3 longtime UND Employees in the flight education business
  - 15 years in the flight simulation industry, know players, trends and markets
  - Member of multiple FAA committees relating to simulation in training
- Business opportunity to move an Austrian Simulator Manufacturer to Grand Forks. Technology transfer opportunity from UND and the University of Vienna. The first FAA Level 3 qualified Simulators were completed by this team at UND
- Center for Innovation first stop October 1998 to develop early strategy and plan
- Discussions with TTI mid October. Funded by TTI mid November
  - TTI provided \$50,000 working capital for business plan, marketing plan and legal agreements
  - TTI funding provided the initial credibility to attract interest from banks and private investors
- NDEDF provided \$100,000 equity, \$200,000 loan February 1999
  - NDEDF provided gap financing that a commercial lender could not provide
  - NDEDF understands business start up and non traditional businesses
  - NDEDF provides reasonable finance terms to help insure success
  - NDEDF, City of Grand Forks, Local Banks, work together to provide a viable package
- Start up would have been impossible with out TTI and NDDF funding

**Near Term**

- Next 18 months - 40 jobs in high technology engineering, programming, composites and manufacturing
- State of the art, North Dakota made flight simulators for aircraft models by Piper, Cirrus, Cessna and Beechcraft worldwide
- Unique products include innovative training materials and curricula using the latest technology

**Long Term**

- Generate more jobs, tax revenues and wealth-leadership role in worldwide simulation industry
- Spin off business such as car and entertainment simulator
- With Cirrus, provide a turn key training system, help grow another ND company

**Benefits to North Dakota**

- Create new company in the Aerospace industry - a target industry
- New high tech jobs to keep skilled North Dakotans in the state
- Opportunity for NDDF to more than triple its investment in 5 years
- Commercialize ideas generated in the University setting
- Work with UND to maintain its leading edge in aviation education
- 99% of all revenues generated come from outside ND bringing new dollars into the state

As a lifelong resident of North Dakota, I would like to see a portion of my tax dollars reinvested in entrepreneurs and their ideas. I feel the best hope for long-term success for North Dakota is to create and/or attract new business ventures to our state. Please enhance funding for economic development, specifically the ND Development Fund and Technology Transfer activities. Thank you for your favorable consideration of this request.



HB 1019

TO: NORTH DAKOTA SENATE APPROPRIATIONS  
RE: HB 1019 ECONOMIC DEVELOPMENT FINANCE BUDGET

**MERIDIAN ENVIRONMENTAL TECHNOLOGY, INC**

- Is a technology transfer spin off company from the University of North Dakota in the customized weather and environmental information services industry. It was founded by Leon and Kathy Osborne.
- Established an incubator presence 11 months ago with 4 "sweat equity" employees. Meridian currently employees 21 full and part-time employees. Full time salaries range from \$24,000-\$55,000.
- Provide services to three state Departments of Transportation (fourth pending). Also provide weather support for ag-processing companies, grower groups, individual growers, utilities, forensic investigations and broadcast meteorology.
- Uses its professional expertise and technology acumen to get decision making tools into the hands of the end user -- the maintenance engineers, the plant processors, the farmer, and you.
- Delivers all products through the World Wide Web, accessible by a password protected sign-on screen. Not only is the delivery fast, but it does not put limits or boundaries on the extent of our reach into the world - the market.

**TECHNOLOGY TRANSFER INC.**

- Was important to Meridian in providing funding to gain professional assistance in developing a credible business plan to attract investors and funding.
- Assisted in technical business advice vital to a new company (strategy, marketing, finance).
- Provided credibility to financial institutions as funding procedures began.
- Maintained a presence with the North Dakota Economic Development and Finance office.

**NORTH DAKOTA DEVELOPMENT FUND**

- Has preliminarily given a positive response to an inquiry into additional funding. While Meridian will have almost doubled its second year's projected income, we are still a start up company, which is still incurring infrastructure costs.
- Will play a vital role in obtaining a lease on a newly constructed building that will house the projected 30-35 employees in the next one to three years.
- Funding would also tell other start up companies that there is a concerted effort alive to advance intellectual technology in North Dakota.

**IF STATE FUNDING WERE NOT AVAILABLE**

- Meridian could have found itself slogging along at a snail's pace, which in the world of technology—hardware or intellectual—would be disastrous to being a leader in the arena we are fighting to be a winner in.
- Meridian would not be able to envision the ability to pay our staff salaries that say, "You can be successful in North Dakota and not sacrifice your way of life, not walk away from your heritage, not have to leave to find an opportunity."
- If the state of North Dakota is not willing to support the agencies that are attempting to raise the quality of life for the individuals that already live here, why would someone from out of state strive to "grow" a company in North Dakota.

As a company who has benefited and plans to continue to expand within North Dakota, Meridian feels that it is very important to continue to support these agencies not only with lip service, but with the financial support needed for them to be able to do the job with which they have been charged. Please provide enhanced funding for the Technology Transfer and Development Fund activities.

Thank you for your favorable consideration.

Leon F. Osborne, Jr.  
President

Science and Technology Advisor to Governor Schafer of the State of North Dakota

Meridian Environmental Technology, Inc. • P.O. Box 14178 • 4300 Dartmouth Dr., Suite 178 • Grand Forks, ND 58208-4178  
Tele: 701-787-6044 • Fax: 701-777-6511 • http://www.meridian-enviro.com e-mail: info@meridian-enviro.com

Senate Appropriation Committee  
Senator David Nething, Chairman  
March 4, 1999

Mr. Chairman, Members of the Committee:

My name is Randy Binegar and I am testifying today on behalf of BP-Amoco's Mandan, ND Refinery.

The BP-Amoco refinery is looking at up to \$40MM in capital expenditures over the next three years. These expenditures are necessary to complete two major projects which will help ensure the long-term viability of the refinery.

As you may know the petroleum industry is in economic turmoil. Crude prices are the lowest they have been in decades. Available capital for these types of projects is limited within BP-Amoco. The Mandan refinery must compete with 19 other refineries within the BP-Amoco organization for these funds.

To help assure that all avenues of support were investigated in seeking funds for the Mandan refinery, we solicited help from the Department of Economic Development and Finance. The department responded with help in determining the availability of low interest loans and grants. These options are still being investigated.

We feel the Department of Economic Development and Finance plays an important role in the State's economic development, not just for new, but for existing business and industry as well.

BP-Amoco's Mandan refinery urges a Do Pass on HB 1019.

Randy Binegar  
BP-Amoco Refinery

# **ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA LEGISLATIVE AGENDA FOR THE 1999-2001 BIENNIUM**

## **INTRODUCTION**

The economic development budget of the State of North Dakota has seen a reduction in funding every biennium since 1991. The continued decline in the State's commitment to economic development is unacceptable to the membership of the Economic Development Association of North Dakota (EDND). Despite the impressive track record of adding approximately 17,000 new jobs to the economy since the original Growing North Dakota legislation, North Dakota still remains highly overdependent on traditional production agriculture and natural resources extraction. The State, Counties, Cities, and Schools all depend on economic growth for stable, growing revenues. New income and jobs pay the bills for public entities, raise property values, personal incomes, retail activity, and increase the standard of living.

EDND's basic position is that the state's commitment to economic development should not be reduced, rather, it should begin slowly building the commitment by increasing funding in areas of strategic importance. While communities have significantly increased economic development investment the past several years, this only underscores and enhances the continued need for active state involvement in economic development. Economic development programs should not be viewed as a competitor to other state-funded activities, rather as an insurance policy to guarantee that public revenues will be stable and growing in the future.

The legislative agenda of IDA is broken down into the following segments:

1. Risk Financing
2. Incentive Financing
3. Workforce Development
4. Marketing Programs
5. Agricultural Programs
6. Tax Incentives
7. Technical Assistance
8. Administrative Issues
9. Housing
10. Water Development
11. Budget
12. Conclusion

EDND's positions do not represent a dramatic increase in funding, however it does believe that a modest increase in overall funding is justified.

## **RISK FINANCING**

**NORTH DAKOTA DEVELOPMENT FUND:** EDND recommends continuation of the Development Fund as currently structured with an appropriation of \$1.9 million. The Development Fund makes important "gap" financing available to many primary sector businesses, especially in communities that do not have the resources to adequately help them. Additionally, EDND advocates the dedication of \$750,000 from the Development Fund's 99-01 appropriation for the commercialization of new technology.

**REGIONAL RURAL DEVELOPMENT REVOLVING LOAN FUND:** EDND recommends that this fund, set up as a one-time appropriation for rural economic development, should continue as presently structured. EDND is convening a committee of rural development professionals to recommend new ways in which funds from this program can be used. EDND opposes raiding of the fund for purposes outside of economic development.

**CDBG/CDLF/OTHER REGIONAL FUNDING PROGRAMS:** EDND recommends that these programs continue to be delivered by the eight Regional Development Councils. EDND believes that the delivery of these programs through the Regional Councils has made them more accessible to communities.

## **INCENTIVE FINANCING**

**PACE FUND:** EDND recommends that this program continue as it is currently structured and that its funding be increased to \$6.6 million for the 99-01 biennium. This program, an interest buy-down on conventional financing for primary sector firms, has been arguably the most popular of the State's development programs and continues to be a critical piece of the state's economic development tool chest. The budget request that EDND is supporting is based upon the annual increased usage level this program has experienced the past several years.

## **WORKFORCE DEVELOPMENT**

**WORKFORCE 2000:** Workforce Development is very important to the economic development of the state, and was confirmed by the Enhancement to Growing North Dakota study which strongly recommended increased investment. EDND recommends that the Workforce 2000 program be continued as currently structured, and that funding be increased to \$2 million for the 99-01 biennium.

**NEW JOBS TRAINING PROGRAM:** EDND recommends that this program be continued as currently structured. This program allows companies to borrow funds for employee training and pay the loan out of state payroll withholding proceeds.

**WORKFORCE DEVELOPMENT COUNCIL:** EDND supports the continued funding of the Workforce Development Council as currently structured. EDND further supports the recommendations of the Task Force on Job Training regarding development of tools for workforce development.



## **MARKETING PROGRAMS:**

**TARGET MARKETING & IMAGE DEVELOPMENT:** EDND agrees with the Enhancement to Growing North Dakota report which recommends that marketing the State must become a higher priority in our economic development efforts. EDND agrees with EDF's budget recommendation of \$1.2 million for the 99-01 biennium. EDND believes that the Targeted Marketing Program, which matches community investments in marketing activities, is sound as currently designed and working well. EDND recommends that funds for image development in targeted industries be based on the Team North Dakota model currently being developed by EDF.

**AGRICULTURAL PROGRAMS:** EDND strongly supports ag-based economic development. However, EDND believes that ag-based programs which are not focused on value-added activities should be identified separately from economic development programs, and identifies them with an asterisk (\*).

**APUC:** The Agricultural Products Utilization Commission (APUC) has been an important source of seed money for the initiation of many high-value agriculture development projects in the State. EDND recommends that the program continue as presently structured and that \$1.1 million be appropriated to the commission for the 99-01 biennium.

**PRIDE OF DAKOTA:** EDND recommends the continuation of this program as presently structured and appropriations be continued at the present biennium level.

**AGPACE:** EDND recommends that this program be expanded so that farmers investing in center-pivot irrigation systems or value-added agriculture projects for the first-time can gain to access this interest buy-down program. EDND advocates an appropriation of \$1,500,000 for this program.

\* **BEGINNING FARMER LOAN PROGRAM:** EDND recommends the continuation of this program with an \$1,000,000 appropriation for the biennium. Further, EDND supports the Commission on the Future of Agriculture's recommendation to raise the loan limit from \$100,000 to \$150,000.

\* **AG MEDIATION & ADULT FARM MANAGEMENT PROGRAMS:** EDND supports funding of these programs at present biennium levels, which are important in the effort to stabilize the number of farms in the State.

\* **COMMISSION ON THE FUTURE OF AGRICULTURE:** Recognizing the impact of agriculture on the North Dakota economy, EDND is supportive of the goals and purposes of the Commission on the Future of Agriculture.

## **TAX INCENTIVES:**

**SALES TAX EXEMPTION FOR MANUFACTURING EQUIPMENT:** EDND recommends that this exemption be expanded to include purchases of computer and telecommunications equipment by primary sector companies.

**CORPORATE INCOME TAX EXEMPTION:** EDND recommends this incentive continue as currently structured under North Dakota Century Code.

**PROPERTY TAX EXEMPTIONS:** EDND recommends that property tax exemption policies continue as presently structured under North Dakota Century Code. EDND strongly opposes allowing any political subdivision to "opt out" of any proposed property tax exemption.

#### **TECHNICAL ASSISTANCE:**

**SERVICE PROVIDER CONTRACTS:** EDND recommends that the State continue to provide funding to Small Business Development Centers (SBDCs) and Regional Development Councils for providing technical services to businesses and communities. Small businesses, particularly in rural areas, benefit from the business and financial services provided to them by the SBDC's and Regional Development Councils.

EDND also recommends that \$200,000 be allocated to the Manufacturing Technology Partnership program (MTP). The MTP provides services to existing manufacturers in technical operations areas. Their focus is on enhancing productivity and profitability in operations, equipment utilization, quality control, and engineering issues. It is a national program, operating in each of the fifty states with matching federal funds from NIST. MTP is the only service provider of its kind in North Dakota.

#### **ADMINISTRATIVE ISSUES:**

**EDF:** EDND supports EDF's current restructuring around the targeted industries identified in the Enhancement to Growing North Dakota report. It also supports the declassification of key positions within the agency that would allow greater flexibility to develop performance-based compensation packages so that experienced, motivated employees can be attracted and retained.

**Medical Equipment Tort Reform:** EDND recommends that the Aircraft Manufacturing Liability Reform legislation passed in 1995 be expanded to include medical equipment manufacturers, one of North Dakota's targeted industries.

#### **HOUSING:**

EDND supports development of a housing program that addresses the equity gap between construction cost and market value for single-family homebuyers. This program would probably be based on homebuyer income versus asset value of the property.

#### **WATER DEVELOPMENT**

EDND supports the North Dakota Water Coalition's objectives of completing the state's water infrastructure for economic stability and growth. This includes providing for adequate water supply for irrigation, agricultural processing, industrial and municipal needs, flood mitigation, and overall quality of life.

## **CONCLUSION**

IDA's mission is to work to strengthen and diversify the primary sector base of North Dakota. The legislative agenda of EDND for the upcoming biennium provides for continuity in the delivery of programs and services, while at the same time responding appropriately to the evolving economic development needs of the state. EDND's position is that this legislative agenda is realistic, defensible, and justifiable.

**BUDGET:**

IDA's recommended budget for the 1999-2001 biennium is as follows:

**EDF SECTION:**

Salaries & Wages	\$ 2,450,000
Operating (Includes ISD)	1,600,000
Equipment	55,000
Service Provider Contracts & Other Grants (SBDC, Reg. Councils, MTP, Other)	1,450,000
Director's Discretionary Grants	750,000
North Dakota Development Fund	1,900,000
APUC	1,100,000
Marketing Programs	<u>1,200,000</u>
<i>Sub-Total</i>	<b><u>\$10,505,000</u></b>

**OTHER COMPONENTS:**

PACE	\$ 6,600,000
AGPACE	1,500,000
Workforce 2000	2,000,000
Pride of Dakota	<u>150,000</u>
<i>Sub-Total</i>	<u>10,250,000</u>
<b>GRAND TOTAL</b>	<b><u>\$20,755,000</u></b>

**AGRICULTURE PROGRAMS:** IDA strongly supports ag-based economic development. However, IDA feels that ag-based programs which are not focused on value-added activities should be identified separately from the North Dakota economic development program.

Beginning Farmer Loan	\$ 1,000,000
Adult Farm Management	230,000
Ag Mediation	<u>225,000</u>
<b>TOTAL</b>	<b><u>\$ 1,455,000</u></b>

**ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA  
EXECUTIVE COMMITTEE 1999**

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## Comparison for the Economic Development Appropriation

A	B	C	D	E	F
	95-97 Appropriation	97-99 Appropriation	99-01 Executive Recommendation	99-01 Subcommittee recommendation	99-01 EDND Recommendation
Salaries	\$ 2,158,301.00	\$ 2,421,849.00	\$ 3,041,771.00	\$ 2,358,086.00	\$ 2,450,000.00
Operations	\$ 1,251,549.00	\$ 1,481,995.00	\$ 2,158,447.00	\$ 2,008,447.00	\$ 1,600,000.00
Equipment	\$ 23,800.00	\$ 34,000.00	\$ 96,358.00	\$ 66,358.00	\$ 55,000.00
Grants	\$ 1,352,751.00	\$ 1,313,141.00	\$ 1,518,061.00	\$ 1,078,061.00	\$ 1,450,000.00
Future Fund	\$ 1,968,750.00	\$ 1,909,875.00	\$ 1,000,000.00	\$ 800,000.00	\$ 1,900,000.00
TTI	\$ 1,454,000.00	\$ 500,000.00	\$ -	\$ -	\$ -
Marketing					\$ 1,200,000.00
General Grants	\$ 719,006.00	\$ 725,690.00	\$ 750,000.00	\$ 600,000.00	\$ 750,000.00
<b>Total</b>	<b>\$ 8,928,157.00</b>	<b>\$ 8,386,550.00</b>	<b>\$ 8,564,637.00</b>	<b>\$ 6,910,952.00</b>	<b>\$ 9,405,000.00</b>
APUC	\$ -	\$ 4,097,462.00	\$ 4,085,911.00	\$ 3,985,911.00	\$ 4,000,000.00
Special Funds		\$ (3,312,026.00)	\$ (3,695,701.00)	\$ (3,693,075.00)	\$ (3,300,000.00)
<b>Grand Total</b>		<b>\$ 9,171,986.00</b>	<b>\$ 8,954,847.00</b>	<b>\$ 7,203,788.00</b>	<b>\$ 10,105,000.00</b>

update 3/3/99

# **ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA**

**Proponent Testimony for HB 1019  
House Appropriations -- Government Operations Committee  
The Economic Development Association of North Dakota and  
The Greater North Dakota Association**

**January 13, 1999**

**Mr. Chairman, members of the Appropriation Committee,**

**My name is Joy Johnston. I am the Executive Director of the Manufacturers and Processors Division of the Greater North Dakota Association. This morning I am testifying in favor of HB 1019 on behalf of GNDA, its divisions and the Economic Development Association of North Dakota.**

**The Greater North Dakota Association is the North Dakota Chamber of Commerce. GNDA is the voice of business and principal advocate for positive change for North Dakota.**

**The Economic Development Association of North Dakota, formerly known as the Industrial Development Association, has a membership of professional developers, banks, utility companies and other entities committed to enhancing the standard of living of North Dakotans by encouraging economic development opportunities. GNDA is a member of the Economic Development Association of North Dakota.**

**EDND issued an invitation last week to all legislators to meet with us on Friday mornings at 7:00 a.m. in the small room off the capitol cafeteria to discuss economic development issues. We will meet again Friday. You are very welcome to join us.**

**HB 1019 is more than an appropriation for the Department of Economic Development and Finance. It contains a vast majority of tools in the form of programs that developers depend on to provide short-term assistance that create long-term increases to the standard of living for North Dakotans.**

**To assist you in understanding what EDND is aiming for, I have attached the organization's legislative agenda. The EDND legislative agenda covers more than the ED & F appropriation. I will limit my testimony to those priorities covered under HB 1019.**

**Up front, with no prevarication, EDND is proposing about \$1.5 million dollars more than is recommended by the executive budget. This is not what the committee may want to hear, but please listen to what EDND needs the funding for and why.**

**The trend is alarming. During the last several bienniums, economic development funding has decreased. Yet, North Dakota advocates the expansion and diversification of its**

**economic base from our overwhelming reliance on energy and agriculture. How can we expand and diversify our economy if we continue to slice away the effective tools needed to achieve the outcome we have indicated is our priority?**

**The ED & F appropriation contains the money used for programs that enhance and leverage private money used for economic development. The programs are a diverse and comprehensive. The ED & F budget contains monies for the gap financing, service providers on the local level, technical assistance and marketing. This comprehensive and diverse mix allows access to the right program for the right project. Each of the programs is vitally important to promoting economic development in North Dakota.**

**The goal of the developers and EDND is to provide a higher standard of living for North Dakotans. Developers aren't looking to add jobs, they are seeking to create wealth. That means good jobs that pay high wages. It may mean replacing old industries with new industries that are higher in technology. It means competing in the global marketplace.**

**Economic developers look to expand the wealth of North Dakota within our state and sometimes outside of our geographical boundaries. And that's where EDND feels there is a critical shortfall in the executive budget. EDND specifically line items marketing programs at \$1.2 million. In the executive budget, about half that amount is earmarked for marketing programs. It's not enough.**

**In order for us to compete with other states and other countries, North Dakota must be able to package this state as the best place to do business. We have a lot to overcome. Let's face it, we make the news when it's 40 below zero, but we won't this weekend when it's 40 above.**

**We need tools to market North Dakota for what it is. North Dakota is a state ripe with opportunities for talented people. We produce quality goods and services. North Dakota should be able to market itself as a state that doesn't overburden businesses or its citizens with undue regulations or outrageous tax burdens. We need to market North Dakota as a state that encourages the spirit of entrepreneurship.**

**We need to market North Dakota to North Dakotans who can expand and grow their businesses. We need to market North Dakota to North Dakotans who are looking to start a business. We need to market North Dakota to outside companies looking for places to build and expand. We need to market North Dakota to entrepreneurs looking for a place to begin. We need to market North Dakota to young people -- ours and other state's -- that believe the world, their careers and their lives exist outside the borders of North Dakota. And we have a lot of competition out there luring people and business -- ours and what should be ours -- to other states and other communities that are not as good as North Dakota. We must be able to market the opportunities we have and that we can get. Now is not the time to scrimp on marketing. We want to diversify. We need to diversify. Please do not tell us what we need to do then not give us the means to do it.**



**But we cannot do it at the expense of the economic development programs. It doesn't do us any good to market North Dakota and not provide the program assistance to make the projects happen. In particular EDND is concerned about the recommendation for the Development Fund decrease from the \$1.9 million appropriated in the previous biennium to \$1 million in the 1999-2001 biennium. The Development Fund provides the gap financing for new and expanding businesses and for local development corporations. Its purpose is to be innovative. If ever a time innovative financing was necessary, this is it. North Dakota's economy is in transition. Even though income is returning to the fund in the form of loan repayments, adequate resources need to be available to develop and expand primary sector business in this state. In the 1997-1999 biennium the legislature recognized the Development Fund required \$1,909,875. EDND requests you invest \$1.9 million in the Development Fund again.**

As a committee, as a legislature, you are being pulled in all directions for the limited tax revenue available. EDND knows the choices you must make are difficult. We know your job is much more complicated as the bottom has dropped out of the agriculture and energy industries. We know we are asking for more when it looks like there may not be enough. But we do ask for more because the investment you make in economic development today will pay out in dividends to the citizens and the State of North Dakota in the future. A diverse economy, new and expanded businesses, a broader market, higher paying jobs, an increased tax base and more opportunities for young families to work and live and North Dakota will be here with your help.

Thank you for the opportunity to testify. I would be glad to answer questions you may have.

# **ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA**

**Proponent Testimony for HB 1019**

**Senate Appropriations**

**The Economic Development Association of North Dakota and  
The Greater North Dakota Association**

**March 4, 1999**

**Mr. Chairman, members of the Appropriations Committee,**

**My name is Joy Johnston. I am the Executive Director of the Manufacturers and Processors Division of the Greater North Dakota Association. This afternoon I am testifying in favor of HB 1019 on behalf of GNDA, its divisions and the Economic Development Association of North Dakota.**

**The Greater North Dakota Association is the North Dakota Chamber of Commerce. GNDA is the voice of business and principal advocate for positive change for North Dakota**

**The Economic Development Association of North Dakota, formerly known as the Industrial Development Association, has a membership of professional developers, banks, utility companies and other entities committed to enhancing the standard of living of North Dakotans by encouraging economic development opportunities. GNDA is a member of the Economic Development Association of North Dakota.**

**EDND meets Friday mornings at 7:00 a.m. in the small room off the capitol cafeteria to discuss economic development issues. Several members of the Senate Appropriations Committee are with us from time to time. We will meet again Friday. You are very welcome to join us.**

**EDND President, Kevin Cooper of the Jamestown/Stustman County Jobs Development Corporation is unable to be here today to deliver the position of the organization. The Executive Committee has asked me to provide the testimony for EDND.**

**HB 1019 is more than an appropriation for the Department of Economic Development and Finance. It contains a vast majority of tools in the form of programs that developers depend on to provide short-term assistance that create long-term increases to the standard of living for North Dakotans.**

**To assist you in understanding what EDND is aiming for, I have attached the organization's legislative agenda to my testimony. The EDND legislative agenda covers more than the ED & F appropriation. I will limit my testimony to three EDND priorities covered under HB 1019 -- marketing, discretionary grants and the development fund.**

As you can see, at the initiation of the session EDND proposed about \$1.5 million dollars more than was recommended by the executive budget. The two areas covered under our original added request were \$1.2 million for marketing and \$600,000 for the ND Development Fund. EDND offered the House Appropriations Committee reasons why the dollars were requested. There was no opposition.

However, the House recommended reducing the original appropriation to \$7.2 million that included elimination of most of the marketing funds and further reductions in the appropriation for the North Dakota Development Fund.

The trend is alarming. During the last several bienniums, state economic development funding has decreased. Yet, North Dakota advocates the expansion and diversification of its economic base from our overwhelming reliance on energy and agriculture. How can we expand and diversify our economy if we continue to slice away the effective tools needed to achieve the outcome we have indicated is our priority?

In the House Appropriations Committee, the members indicated that ED & F might be duplicating services available on a local level. EDND disputes the theory. The role of ED & F to local developers is that of collaboration and partnership. Each has a role to play in development. The local and state do so in concert. Some of the urban developers are able to do some things that ED & F does. In that case ED & F does not interfere. But all local developers do not have the same resources. They depend upon the services offered by ED & F – programs, research and due diligence, contacts, networking and negotiation services.

The ED & F appropriation contains the money used for programs that enhance and leverage private money used for economic development. The programs are a diverse and comprehensive. The ED & F budget contains monies for gap financing, service providers on the local level, technical assistance and marketing. This comprehensive and diverse mix allows access to the right program for the right project. Each of the programs is vitally important to promoting economic development in North Dakota.

The goal of the developers and EDND is to provide a higher standard of living for North Dakotans. Developers aren't looking to add jobs; they are seeking to create wealth. That means good jobs that pay high wages. It may mean replacing old industries with new industries that are higher in technology. It means competing in the global marketplace.

## **L. MARKETING**

Economic developers look to expand the wealth of North Dakota within our state and sometimes outside of our geographical boundaries. And that's where EDND feels there is a critical shortfall in the executive budget and missing in the House version. EDND specifically line items marketing programs at \$1.2 million. In the executive budget, about half that amount was earmarked for marketing programs in operations, salaries and wages and grants. EDND elected to line item state and local marketing budget dollars to indicate our priority for this essential tool for economic development.

In order for us to compete with other states and other countries, North Dakota must be able to package this state as the best place to do business. Our strengths are many. North Dakota has a viable, nose-to-the grindstone workforce. Sure, they need some training, but the legislature is working to do that with HB 1443, HB 1017 and SB 2404. We have land, water, telecommunications, excellent educational opportunities, safe living and a government and laws reflective of our strong ethics. But we have a lot to overcome. North Dakota possesses an economic development image problem. We're either invisible or considered in a negative light -- not just by others, but by ourselves.

How do we know this? Because we asked. During the Enhancing Growing North Dakota project, over 500 North Dakotans met to discuss what we need to do and where we need to go. We recharged ourselves after Vision 2000. We looked to the future. I have attached a copy of the progress report reflecting those community discussions. Our top major action item is marketing. It is on page 16 of the report.

#### **More effectively market North Dakota to increase interest and investment.**

Many of you were part of that discussion. I have highlighted the names of current legislators who took part in those community discussions on the front and back covers of the book.

In order to facilitate the marketing of North Dakota, a marketing plan was developed. A copy of the plan was presented to you by ED & F. It outlines the strategies identified by the Enhancing Growing North Dakota project on a state and local level. It includes everything from utilization of the Business Development Division to funding the Marketing Co-op Program at the local level.

Implementation of the marketing program takes an investment. It would take a considerable amount of money to accomplish the entire marketing plan. We know that's not possible. But EDND is so committed to marketing it made it a specific line item in its proposed recommendation. Where the funds might be part of other line items in the ED & F budget request, EDND wanted to make it understood that marketing is a priority item that needs to be addressed. We aimed at \$1.2 million. We hope the committee concurs.

## **II. DISCRETIONARY GRANTS**

EDND understands that economic development's only constant is that it is always changing. No projects are identical. A local or ED & F staff expert cannot always meet every need. One-size does not fit all. Sometimes you need a specialist service provider. Sometimes you need a community liaison to help put the all the players together on the local level. Sometimes you need to go to someone who can seek leveraging funds to assist in projects. Rather than build a huge staff of experts needed occasionally, it is more efficient to call upon a service provider when necessary. You get the expert without the overhead. That's what the grant line items are for. Small Business Development Centers, the Manufacturing Technology Partnership and regional councils are some of the project coordinators used in the grant line items. The director needs the

discretion to be flexible in accessing what is needed, when needed. When considering HB 1019, please reconsider that reductions made by the House to restore the director's grant funds.

### **III. The North Dakota Development Fund**

One of the biggest assets we have in North Dakota is our ability to make a significant impact on economic development by using strategic tools and careful use of limited resources. It doesn't do us any good to market North Dakota and not provide the program assistance to make the projects happen.

EDND is concerned about the recommendation for the Development Fund decrease from the \$1.9 million appropriated in the previous biennium to an executive recommendation of \$1 million and House approval of only \$800,000 for the 1999-2001 biennium. The Development Fund provides the gap financing for new and expanding businesses and for local development corporations. Its purpose is to be innovative. If ever a time innovative financing was necessary, this is it. North Dakota's economy is in transition. Even though income is returning to the fund in the form of loan repayments, adequate resources need to be available to develop and expand primary sector business in this state. In the 1997-1999 biennium the legislature recognized the Development Fund required \$1,909,875. EDND requests you invest \$1.9 million in the Development Fund again.

As a committee, as a legislature, you are being pulled in all directions for the limited tax revenue available. EDND knows the choices you must make are difficult, especially in light of the WEFA report. We know your job is much more complicated as the bottom has dropped out of the agriculture and energy industries. We know we are asking for more when it looks like there may not be enough. But we do ask for more because the investment you make in economic development today will pay out in dividends to the citizens and the State of North Dakota in the future. A diverse economy, new and expanded businesses, a broader market, higher paying jobs, an increased tax base and more opportunities for young families to work and live and North Dakota will be here with your help.

Thank you for the opportunity to testify. I would be glad to answer questions you may have.

## LOCAL ECONOMIC DEVELOPMENT FUNDING

The following table shows local economic development funding, the source of the funding, and the number of professional staff for the major cities in North Dakota:

City	1997 Mills	1997 Dollar Amount Generated by Mill Levy	1997 City Sales Tax Dollars	Portion of Sales Tax Devoted for Economic Development	Professional Staff Size
Bismarck			\$6,658,193	\$1,500,000 (specific dollar amount)	2
Mandan			\$1,039,570	Unspecified	With Bismarck
Devils Lake	3.48	\$28,210	\$1,316,545	\$166,762 (19 percent of an equivalent of one percent of the citywide sales tax)	1
Dickinson			\$1,726,902	\$345,380 (20 percent)	1
Fargo			\$12,587,053	\$0 (no public funding; private donations)	3
Grand Forks			\$10,507,560	\$1,100,000 (18 percent of an equivalent of one percent of the citywide sales tax)	2
Jamestown			\$1,446,784	\$1,446,784 (100 percent)	1
Minot			\$4,293,628	\$1,717,451 (40 percent)	2
Wahpeton	4	\$34,866	\$719,550	\$719,550 (100 percent)	2
Williston			\$1,144,799	\$286,200 (25 percent)	1

  
**John E. VanMiddlesworth**

01/12/99 10:15 AM

**To:** Ron D. Carlisle/NDLC/NoDak  
**cc:** Kevin J. Cramer/EDF/NoDak@NoDak, Stephen E. Miller/EDF/NoDak@NoDak  
**Subject:** Economic Development \$'s

**Representative Carlisle:**

In response to your inquiry regarding the amount of money going into economic development at the local/county level. The information we have shows an aggregate dollar amount of \$11,633,867 is dedicated to economic development from sales tax and mill levy's. This amount does not include local appropriations, private contributions (Fargo/Cass County), coal severance money (Mercer and McClean County's), or various grant funds. We have not tracked any of those at the local level. We are just starting the process of gathering that information and building the data base but that will involve contacting each of the entities individually. Also, this amount is based on information received from the tax department for 1997. Several communities have approved and implemented a sales tax since that time and the amount of sales tax dedicated to economic development changes from year to year due to home rule and changing local needs. John VanMiddlesworth



**GROWING**  
North Dakota

## Memo

**To:** Representative James Poolman  
**From:** Kevin Cramer, Director, ND ED&F  
**CC:** Dina Butcher  
**Date:** 01/22/99  
**Re:** Financial Support of Regional Councils and Other Service Providers

---

The financial support for Regional Councils is diverse and varies by Council. Total funding is a combination of federal, state and local monies. As we understand, Councils usually maintain a **general revenue account** for income which they use for the Council's operation. A review of financial statements provides examples of general revenues:

### **Federal**

EDA (Economic Development Administration) regional planning grants; (\$51,000 to \$82,000/year)  
Environmental Protection Agency (EPA)  
Federal Grants

**State (ED&F, OIA equal \$41,645 minimum/region/year: total of \$666,320/8 councils/biennium)**  
OIA (for Community Development Block Grant) Scoring & Ranking: (about \$14,000/year\*)  
ED&F (to provide for a variety of economic development activities): (\$27,645/year)  
ED&F (administration of mini-grant program regionally): (varies from \$0 to several thousand/year)  
State Grants

### **Local**

Administration of CDBG/CDLF (Community Development Loan Fund – have provided a spreadsheet)  
Charges for services  
Contributions, local dues and memberships (this varies significantly by Council)  
Interest Income (this could include intermediary Revolving Program (IRP))  
Miscellaneous  
Rents  
Revolving Loan Funds (RLF)

A second **special revenue account** is maintained for income which is utilized for projects and/or loans. (We have enclosed a spreadsheet identifying these. The spreadsheet was created from reading the most recent financial statements we were able to receive from OIA a few months ago. Financial statements are not uniform – as result were unable to provide all entries.)

\* These funds come from the general fund as part of a state match required by the CDBG.



## Analysis of Regional County Funding

Fiscal Year (based on available financials)	Region 1 12/31/96	Region 2 12/31/97	Region 3 12/31/96	Region 4 12/31/97	Region 5 12/31/97	Region 6 3/31/00 (Includes Corp)	Region 7 12/31/96	Region 8 6/30/97	Totals
<b>General Revenue/Expenditure Assessment</b>									
Revenues	\$ 178,169	\$ 280,575	\$ 464,278	\$ 53,937	\$ 1,322,802	\$ 266,613	\$ 987,687	\$ 159,447	\$ 3,723,508
Expenditures	\$ 187,424	\$ 256,209	\$ 432,341	\$ 19,247	\$ 1,237,333	\$ 228,491	\$ 978,721	\$ 227,059	\$ 3,566,825
Excess of Revenues (over/under) Expenditures	\$ (9,255)	\$ (5,634)	\$ 36,937	\$ 34,690	\$ 85,469	\$ 38,122	\$ 8,966	\$ (27,612)	\$ 161,683
Other Financial Sources (Uses)	\$ -	NA	NA	NA	NA	\$ (24)	NA	\$ (21,256)	\$ (21,282)
Fund Balance (previous fiscal year end)	\$ 37,055	\$ 122,836	\$ 79,967	NA	NA	\$ 198,914	\$ 120,979	\$ 149,791	\$ 709,542
Fund Balance (fiscal year end)	\$ 27,800	\$ 117,202	\$ 111,904	NA	NA	\$ 237,012	\$ 129,646	\$ 100,921	\$ 724,485
<b>Special Revenue/Expenditure Assessment</b>									
Special Revenues	NA	\$ 341,483	\$ 105,746	\$ 1,326,744	NA	\$ 39,200	NA	\$ 426,696	\$ 2,239,869
Special Revenue Related Expenditures	NA	\$ 394,780	\$ 104,981	\$ 1,089,000	NA	\$ 25,942	NA	\$ 334,410	\$ 1,949,113
Excess of Revenues (over/under) Expenditures	NA	\$ (53,298)	\$ 765	\$ 237,744	NA	\$ 13,258	NA	\$ 92,286	\$ 290,755
Other Financial Sources (Uses)	\$ -	NA	NA	NA	NA	\$ 24	NA	\$ 31,293	\$ 31,317
Fund Balance (previous fiscal year end)	NA	\$ 71,053	\$ 219,258	NA	NA	\$ 612,733	NA	\$ 249,309	\$ 1,152,363
Fund Balance (fiscal year end)	NA	\$ 17,796	\$ 220,023	NA	NA	\$ 626,015	NA	\$ 372,889	\$ 1,236,723
<b>Total Fund Balance</b>	NA	\$ 134,998	\$ 331,927	\$ 756,073	NA	\$ 863,027	NA	\$ 473,810	\$ 2,559,835
<b>Revenues (As Reported in 1991 Regional Council Survey - prior to Growing ND I</b>									
	FY90	FY90	FY90	FY90	FY90	FY91	FY90	FY91	Totals
	\$ 33,899	\$ 132,906	\$ 178,670	\$ 115,000	\$ 135,416	\$ 188,140	\$ 244,425	\$ 163,600	\$ 1,190,056

Region 1 (Williston - 3 counties)

Region 2 (Minot - 7 counties)

Region 3 (Devils Lake - 6 counties)

Region 4 (Grafton - 4 counties)

Region 5 (Fargo - 6 counties)

Region 6 (Jamestown - 9 counties)

Region 7 (Bismarck - 10 counties)

Region 8 (Dickinson - 8 counties)

Tri-County Economic Development Association

Souris Basin Planning Council

North Central Planning Council

Red River Regional Planning Council

Lake Agassiz Regional Development Corporation

South Central Dakota Regional Council

Lewis & Clark Regional Development Council

Roosevelt-Custer Regional Council

NA - not able to interpret information as presented on the financial statements received.

## Analysis of Administrative Fees Received By Regional Councils For CDBG

Fiscal Year	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8	Totals
	12/31/96	12/31/97	12/31/96	12/31/97	12/31/97	3/31/98	12/31/96	6/30/97	All Regions
1998	\$ 40,666	\$ 64,931	\$ 2,500	\$ 41,046	\$ 14,186	\$ 77,616	\$ 93,054	\$ 44,661	\$ 378,660
1997	\$ 39,750	\$ 57,202	\$ 92,123	\$ 138,518	\$ 94,650	\$ 65,375	\$ 97,296	\$ 56,690	\$ 641,504
1996	\$ 62,900	\$ 63,306	\$ 154,110	\$ 67,465	\$ 118,485	\$ 97,902	\$ 96,275	\$ 63,967	\$ 724,410
1995	\$ 43,693	\$ 100,215	\$ 76,475	\$ 72,507	\$ 97,058	\$ 109,719	\$ 101,857	\$ 79,688	\$ 681,212
1994	\$ 47,157	\$ 99,243	\$ 95,705	\$ 87,061	\$ 123,327	\$ 116,616	\$ 125,395	\$ 96,040	\$ 790,544
1993	\$ 80,442	\$ 73,487	\$ 106,095	\$ 106,603	\$ 126,946	\$ 116,409	\$ 189,776	\$ 65,594	\$ 865,352
1992	\$ -	\$ 67,330	\$ 39,253	\$ 48,200	\$ 59,900	\$ 40,000	\$ 87,667	\$ 23,265	\$ 365,615
1991	\$ -	\$ 25,770	\$ 52,031	\$ 55,870	\$ 40,900	\$ -	\$ 80,131	\$ 79,545	\$ 334,247
1990	\$ 1,500	\$ -	\$ 10,111	\$ 22,660	\$ 46,200	\$ 83,950	\$ 137,246	\$ 40,000	\$ 341,667
<b>Total</b>	<b>\$ 316,108</b>	<b>\$ 551,484</b>	<b>\$ 628,403</b>	<b>\$ 639,930</b>	<b>\$ 721,652</b>	<b>\$ 707,587</b>	<b>\$ 1,008,697</b>	<b>\$ 549,450</b>	<b>\$ 5,123,311</b>
<b>Average/Year</b>	<b>\$ 35,123</b>	<b>\$ 61,276</b>	<b>\$ 69,823</b>	<b>\$ 71,103</b>	<b>\$ 80,184</b>	<b>\$ 78,621</b>	<b>\$ 112,077</b>	<b>\$ 61,050</b>	<b>\$ 569,257</b>

Region 1 (Williston - 3 counties)

Region 2 (Minot - 7 counties)

Region 3 (Devils Lake - 6 counties)

Region 4 (Grafton - 4 counties)

Region 5 (Fargo - 6 counties)

Region 6 (Jamestown - 9 counties)

Region 7 (Bismarck - 10 counties)

Region 8 (Dickinson - 8 counties)

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Souris Basin Planning Council

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Lake Agassiz Regional Development Corporation

South Central Dakota Regional Council

Lewis & Clark Regional Development Council

Roosevelt-Custer Regional Council

**Remarks -**

**Mr. Greg Hagen, Executive Director  
Souris Basin Planning Council  
Minot, North Dakota  
Senate Appropriations Committee  
Regarding HB 1019  
March 4, 1999**

**Mr. Chairman, my name is Greg Hagen, I am the Executive Director for the Souris Basin Planning Council in Minot, North Dakota, one of the eight Regional Councils in the State.**

**I am here today to support Governor Schafer's original proposed budget for the Department of Economic Development and Finance, and to ask for the restoration of cuts imposed by the House Appropriations Committee, specifically funds for the North Dakota Development Fund, marketing funds and grant funds targeted for Regional Councils.**

**It is my hope this Committee restores \$440,000 to the "Grants" line item that supported Regional Councils in our efforts to promote community and economic development at the local level. This small amount allowed contracts between ED&F and Regional Councils for \$27,500 per year to deliver the programs of Growing North Dakota.**

**Regional Councils have been governed by local City and County officials over the last twenty-five years and view ourselves as an integral part of a team when it comes to promoting community and economic development, and these contracts with ED&F have been an important part in supporting Regional Council staff in these efforts.**

**This "team" concept, especially in the Minot area, works well. Regional Councils and the local developers work extremely well together. The Regional Council staff is a tremendous resource to these developers in both the rural and urban communities. This "team" concept allows the developers to concentrate their efforts on recruiting and marketing. The Regional Council staff supports these efforts as a resource for technical assistance, research, feasibility, data and in many instances financial packaging. The knowledge and expertise the Regional Council staff has regarding State, Federal,**

**Regional and Local financing options many times fill gaps that help insure the success of these projects.**

**As one example of technical assistance, Regional Councils recently worked very hard with the Cities of Bowman, Hettinger and Rugby on what was called the Dakota Partners Empowerment Zone application and I know three of the members of this Committee, Senator Solberg, Senator Bowman and Senator Krauter were also a part of that team effort.**

**With the Chairman's permission I would, at this time like to invite several people from various parts of the State to talk to this Committee briefly regarding the relationship they have had with Regional Councils to best illustrate the types of successes the ED&F contracts with Regional Councils have impacted development in the State.**

1019 99571

*DOT HAS 1019A*

January 21, 1999

## ETHANOL PRODUCTION INCENTIVE PROGRAM - NORTH DAKOTA AND SURROUNDING STATES

### APPROPRIATIONS

The ethanol production incentive program began in North Dakota in 1989. Prior to 1989, the state allowed a four cent per gallon tax reduction for ethanol-blended gasoline sold by retailers. The schedule below shows the appropriations made by the Legislative Assembly for the ethanol production incentive program since its inception in 1989:

	Appropriation From Highway Tax Distribution Fund
1989-91	\$3,750,000 <sup>1</sup>
1991-93	3,650,000
1993-95	3,650,000
1995-97	3,000,000
1997-99	1,750,000 <sup>2</sup>
Total through June 30, 1999 1999-2001 executive budget	\$15,800,000 1,500,000
Total through June 30, 2001	\$17,300,000

<sup>1</sup> This amount was reduced by \$342,000 due to budget reductions made as a result of the loss of revenues resulting from the defeat of the gas tax measure on the December 5, 1989, special election ballot.

<sup>2</sup> Includes \$250,000 of unspent 1995-97 ethanol production incentive funding resulting from the ADM plant in Walhalla not receiving incentive payments during the second year of the biennium because it was not operating.

### EXPENDITURES

The following schedule shows the actual ethanol production incentive payments made to the ethanol plants in North Dakota since the inception of the program in 1989:

Fiscal Year	Alchem Plant in Grafton	ADM Plant in Walhalla	Total
1989	\$1,103,026	\$540,555	\$1,643,581
1990	196,663	506,972	703,635
1991	875,000	950,000	1,825,000
1992	865,466	939,577	1,805,043
1993	950,000	875,000	1,825,000
1994	875,000	950,000	1,825,000
1995	875,000	950,000	1,825,000
1996	1,000,000	500,000	1,500,000
1997	1,000,000		1,000,000
1998	870,686		870,686
1999 (through January 15, 1999)	492,619		492,619
<b>Total</b>	<b>\$9,103,460</b>	<b>\$6,212,104</b>	<b>\$15,315,564</b>

### REVENUES

Since 1991, the Legislative Assembly has provided for additional revenues to the highway tax distribution fund to provide the funding necessary for the ethanol production incentive program. The 1991 Legislative Assembly provided for the additional revenues by extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules for the 1991-93 and 1993-95 bienniums and by withholding an additional two cents from the agricultural fuel tax refund for the 1991-93 and 1993-95 bienniums. The 1995 Legislative Assembly extended these additional revenue provisions through the 1997-99 biennium. However, the 1997 Legislative Assembly, in Senate Bill No. 2019, reduced the agricultural fuel tax refund reduction by one cent, from two cents to one cent because only the Alchem plant in Grafton was eligible for production incentives during the 1997-99 biennium. (The ADM plant in Walhalla had discontinued operations in September 1995.)

The 1999-2001 executive budget proposes, in House Bill No. 1019, to continue the agricultural fuel tax reduction of one cent relating to the ethanol production incentive program through the 1999-2001 biennium. In addition, the 1999-2001 executive budget recommends in House Bill No. 1183 to remove the sunset clause of June 30, 1999, for extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules.

### OTHER LEGISLATIVE ACTION

The 1995 Legislative Assembly, in House Bill No. 1134, limited the length of time an ethanol plant may receive incentives. The bill provides that a plant operating before July 1, 1995, may not receive incentives from the state for more than five years of operation after June 30, 1995. A plant that begins operations after June 30, 1995, may not receive the incentive payments from the state for more than 10 years of operation, and after December 31, 2007, the state may not provide production incentives to any ethanol plant.

The bill also provided that a plant operating before July 1, 1995, which produces fewer than 15 million gallons of ethanol in the previous fiscal year may receive up to \$1 million in incentives from the state for production in each fiscal year. A plant in operation before July 1, 1995, which produces 15 million gallons or more of ethanol in the previous fiscal year and any plant that begins operations after June 30, 1995, are eligible to receive an equal share of up to \$500,000 of

incentives from the state for production in each fiscal year.

The ADM plant in Walthalla discontinued its operations in September 1995 and reopened in July 1998. Because the ADM plant was not operating, the 1997 Legislative Assembly provided that only the Alchem plant in Grafton was eligible for the production incentives of up to \$875,000 per year for the 1997-99 biennium.

The 1999-2001 executive budget recommends in House Bill No. 1019 to extend the number of years ethanol plants may receive production incentives since June 30, 1995, from five to seven years for plants operating before July 1, 1995, and for 12 years for plants beginning operation after June 30, 1995. The recommendation provides that after December 31, 2009, the state may not provide production incentives to any ethanol plant.

## **SURROUNDING STATES**

### **North Dakota**

North Dakota provides ethanol incentive payments of 40 cents per gallon of production with an annual limit of \$875,000 for the Alchem plant in Grafton.

A plant operating before July 1, 1995, may not receive incentives from the state for more than five years after June 30, 1995. (The executive budget extends this to seven years.) A plant beginning operations after June 30, 1995, may not receive incentives from the state for more than 10 years. (The executive budget extends this to 12 years.)

A plant operating before July 1, 1995, which produces fewer than 15 million gallons per year may receive up to \$1 million per year in incentives and a plant operating before July 1, 1995, which produces 15 million gallons or more per year and any plant beginning operations after June 30, 1995, are eligible

to receive an equal share of up to \$500,000 per year. These amounts are based on the funding appropriated by the Legislative Assembly each biennium.

Currently, two ethanol plants are operating in North Dakota.

### **South Dakota**

South Dakota provides ethanol incentive payments of 20 cents per gallon of production with a \$1 million annual limit per plant. The cumulative amount of incentive payments a plant may receive is \$10 million.

South Dakota taxes gasohol at a 16 cent per gallon rate, 2 cents per gallon less than its gasoline tax rate of 18 cents per gallon.

Currently, two plants are operating in South Dakota, and a third plant will begin operating in 1999.

### **Montana**

Montana provides ethanol incentive payments of 30 cents per gallon of production with a \$3 million annual limit per plant.

Currently, no plants are operating in Montana; however, two potential plants are in the financing stages.

### **Minnesota**

Minnesota provides ethanol incentive payments of 20 cents per gallon of production with a \$3 million annual limit per plant. A plant is eligible for the incentive payment for 10 years.

Minnesota requires all gas sold in the state to contain at least 2.7 percent oxygen which creates demand for ethanol in Minnesota.

Currently, 13 plants are operating in Minnesota. One new plant will begin operating in 1999.



**AMERICAN  
COALITION  
FOR ETHANOL**

3321 E. 26th Street #4  
P.O. Box 85102  
Sioux Falls, South Dakota 57104  
www.ethanol.org

April 8, 1999

Senator Harvey Tallackson  
North Dakota State Senate  
State Capitol  
600 East Boulevard  
Bismarck, ND 58505

Dear Senator Tallackson:

Thank you for your question regarding ethanol producer incentives. Even though Archer Daniels Midland (ADM) currently operates four ethanol plants besides the one in North Dakota, no other state pays ADM any ethanol producer incentive.

In 1998, ADM had sales of \$16,108,600,000 and a net income of \$403,600,000. This does not sound like the type of company that needs an ethanol producer incentive from the State of North Dakota. I also do not believe that North Dakota taxpayers would support their tax dollars being used to give an incentive to a large corporation like ADM, which has no local ownership.

North Dakota's past policy had been to give incentives to those plants on the small end of the size scale and those that had significant North Dakota ownership, while still trying to encourage new production. We do not feel that should change. ADM's ethanol plant in Walthalla is over twice the size of the ethanol plant in Grafton and benefits from significant economies of scale. I also do not believe that ADM would shut down that plant based on the state's decision not to give them an ethanol producer incentive. For them to imply that is somewhat like corporate blackmail. They have not seemed to have had a problem operating it before, nor have they had a problem operating their four other ethanol plants without any producer incentive. States have the right to set any parameters they choose in terms of deciding which businesses can and cannot qualify for state incentives. When it comes to ethanol production, size is a major issue, and larger ethanol plants do benefit from economies of scale smaller ones do not.

I would encourage you and the other state legislators to approve an ethanol funding bill similar to the one approved the last biennium, with your amendments to support higher funding for the Grafton ethanol plant, which has North Dakota ownership, and funding for potential new ethanol production in Grand Forks. I believe that would be something that could be supported by all taxpayers. Please let me know if there is anything we can do to assist your efforts.

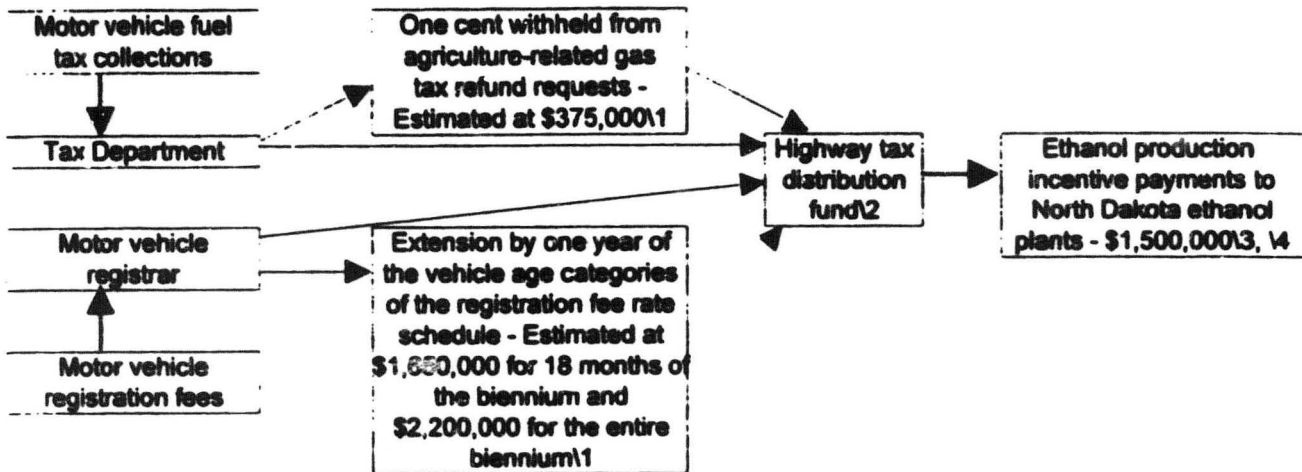
Sincerely,



Trevor T. Guthmiller  
Executive Director

## FUNDING FOR THE ETHANOL PRODUCTION INCENTIVE PROGRAM - EXECUTIVE BUDGET RECOMMENDATION FOR THE 1999-2001 BIENNIUM

The funding mechanism for providing ethanol production incentive payments to North Dakota ethanol plants proposed for the 1999-2001 biennium is presented below:



- <sup>1</sup> The 1995 Legislative Assembly approved House Bill No. 1134 that continued the increase in motor vehicle registration fees (through June 30, 2000) and continued the additional two cents per gallon withholding from agriculture-related motor vehicle fuel tax refunds (through December 31, 1999) which the 1991 Legislative Assembly approved in 1991 House Bill No. 1575. The 1997 Legislative Assembly in Senate Bill No. 2019 reduced the two cent per gallon withholding to one cent per gallon. The 1999-2001 executive budget continues the one-cent withholding and removes the expiration date from the increased motor vehicle registration fees.
- <sup>2</sup> The highway tax distribution fund receives collections from motor vehicle fuel taxes and motor vehicle registration fees. Except for specific transfers or appropriations from the fund relating to the ethanol incentive payments and snowmobile and boating programs, moneys in the fund are distributed to the state highway fund (63 percent) and to cities and counties (37 percent) for road projects.
- <sup>3</sup> Funding for the ethanol production incentive program is appropriated to the Agricultural Products Utilization Commission in the Department of Economic Development and Finance. For the 1999-2001 biennium, the executive budget recommends a \$1.5 million appropriation from the highway tax distribution fund for these payments in House Bill No. 1019.
- <sup>4</sup> Because the estimated collections from the tax increases approved to provide funding for the ethanol incentive payments are more than the appropriation for the payments, the excess funding would be distributed to the state highway fund (63 percent) and to cities (14 percent) and counties (23 percent) for road projects similar to other moneys in the highway tax distribution fund.